HEXTAR INDUSTRIES BERHAD

201101044580 (972700-P)

(Formerly known as SCH Group Berhad)

SOLUTIONS FOR A DYNAMIC WORLD

Annual Report **2021**

TABLE OF CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Chan Choun Sien
Independent Non-Executive Chairman

Ang Sui Aik, Benny
Group Managing Director

Wong Kin Seng
Executive Director

Dato' Ong Choo Meng
Non-Independent Non-Executive Director

Ong Tzu Chuen
Non-Independent Non-Executive Director

Sim Yee Fuan
Independent Non-Executive Director

Dato Sri Chee Hong Leong
Independent Non-Executive Director

AUDIT COMMITTEE

Sim Yee Fuan *(Chairman)*
Dato' Chan Choun Sien *(Member)*
Dato Sri Chee Hong Leong *(Member)*

RISK MANAGEMENT COMMITTEE

Dato Sri Chee Hong Leong *(Chairman)*
Dato' Chan Choun Sien *(Member)*
Wong Kin Seng *(Member)*

REMUNERATION COMMITTEE

Dato' Chan Choun Sien *(Chairman)*
Sim Yee Fuan *(Member)*
Dato Sri Chee Hong Leong *(Member)*

NOMINATION COMMITTEE

Dato Sri Chee Hong Leong *(Chairman)*
Dato' Chan Choun Sien *(Member)*
Sim Yee Fuan *(Member)*

COMPANY SECRETARIES

Tan Tong Lang
(MAICSA 7045482 / SSM PC No. 201908002253)
Lee Kok Ping
(MIA 44986 / SSM PC No. 202008004407)

REGISTERED OFFICE

Level 5, Block B, Dataran PHB
Saujana Resort, Section U2
40150 Shah Alam
Selangor
Tel No. : +603-7890 0638
Fax No. : +603-7890 1032

HEAD OFFICE/ PRINCIPAL PLACE OF BUSINESS

Lot 35, Jalan CJ 1/1,
Kawasan Perusahaan Cheras
Jaya, 43200 Cheras,
Selangor Darul Ehsan.
Tel No. : +603-9082 2681/2781/2881/2981
Fax No. : +603-9082 9697

AUDITORS

Messrs Ecovis Malaysia PLT
(AF 1825)
No 9-3, Jalan 109F
Plaza Danau 2
Taman Danau Desa
58100 Kuala Lumpur
Tel No. : +603-7981 1799
Fax No. : +603-7980 4796

PRINCIPAL BANKERS

AmBank (M) Berhad
CIMB Bank Berhad
Public Bank Berhad
HSBC Bank Malaysia Berhad

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel No. : +603-2783 9299
Fax No. : +603-2783 9222

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad

Ordinary Shares
Stock Name : HEXIND
Stock Code : 0161

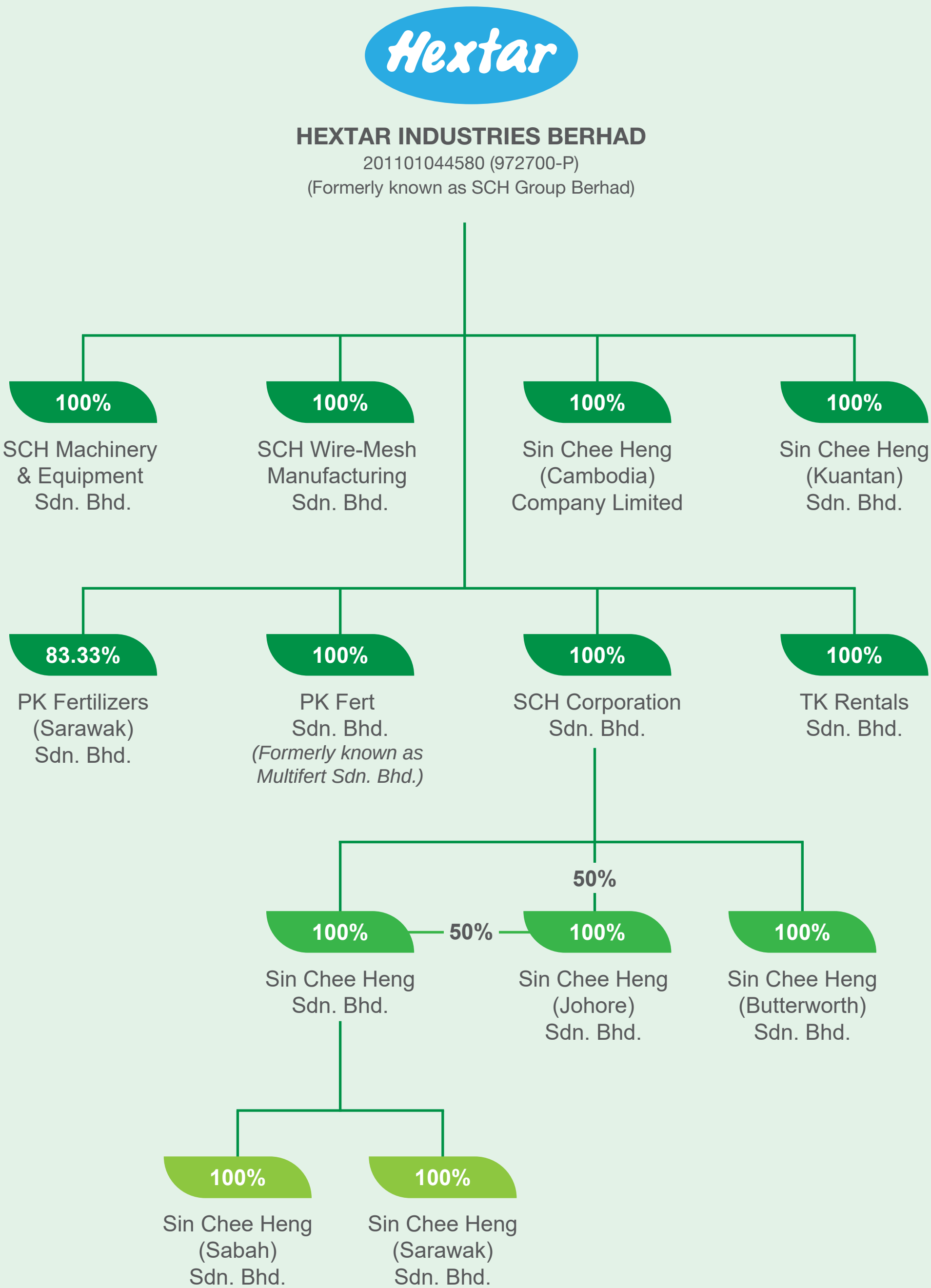
WEBSITE

www.hextarindustries.com

INVESTOR RELATIONS

Email : finance.hexind@hextar.com
Tel No. : +603-9082 2681/2781/2881/2981
Fax No. : +603-9082 9697

CORPORATE STRUCTURE

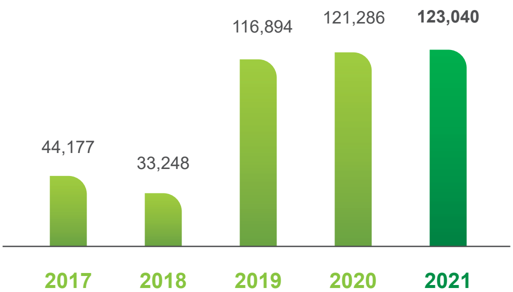


FINANCIAL HIGHLIGHTS

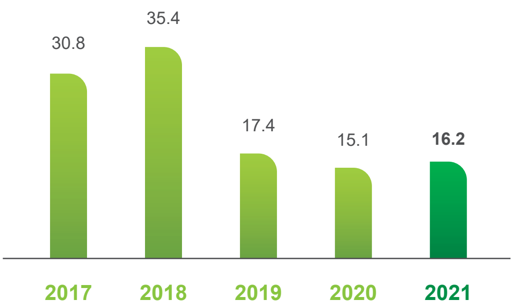
Financial Year Ended 31 August		2017	2018 Restated	2019	2020	2021
KEY FINANCIALS						
Revenue	RM'000	44,177	33,248	116,894	121,286	123,040
Gross Profit (GP)	RM'000	13,589	11,756	20,359	18,361	19,949
GP Margin	%	30.8	35.4	17.4	15.1	16.2
Profit/(Loss) Before Tax (PBT)/(LBT)	RM'000	2,734	(8,308)	7,219	(7,620)	537
PBT/(LBT) Margin	%	6.2	(25.0)	6.2	(6.3)	0.4
Profit/(Loss) After Tax (PAT)/(LAT)	RM'000	1,822	(8,875)	5,521	(7,891)	1,916
PAT/(LAT) Margin	%	4.1	(26.7)	4.7	(6.5)	1.6
Basic Earnings/(Loss) Per Share (Basic EPS)	sen	1.02	(4.61)	2.40	(3.34)	0.68

Table 1: 5 years Financial Highlights

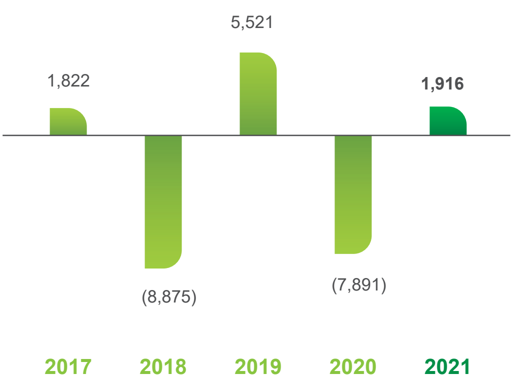
REVENUE
(RM'000)



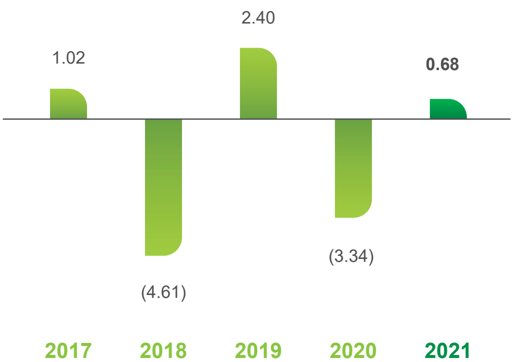
GP MARGIN
(%)



PROFIT/(LOSS) AFTER TAX
(PAT)/(LAT) (RM'000)



BASIC EARNINGS/(LOSS) PER SHARE
(BASIC EPS) (sen)




EXPERIENCE
INTEGRITY
PASSION

PROFILE OF DIRECTORS

DATO' CHAN CHOUN SIEN
51 years of age, Malaysian, Male
Independent Non-Executive Chairman
Chairman of Remuneration Committee
Member of Audit Committee, Risk Management Committee and Nomination Committee

Dato' Chan Choun Sien was appointed to the Board as an Independent Non-Executive Director of the Company on 1 August 2018. On 22 October 2018, he was re-designated as the Independent Non-Executive Chairman.

He graduated from the University of Melbourne with a Bachelor of Laws (Honours) and Bachelor of Commerce. He is a member of CPA Australia. He was previously a Managing Director of a leading investment bank with over 22 years of experience in corporate finance, investment banking and private banking covering Southeast Asia.

Currently, he is also an Independent Non-Executive Director for Esthetics International Group Berhad, Tan Chong Motor Holdings Berhad, Rubberex Corporation (M) Berhad and Selangor Dredging Berhad.

He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 August 2021.

ANG SUI AIK, BENNY
63 years of age, Malaysian, Male
Group Managing Director

Mr Ang Sui Aik, Benny was appointed as the Group Managing Director on 1 January 2021.

He graduated from the University of Western Australia with Bachelor of Science Honours in Agriculture, majoring in soil science and plant nutrition.

He has been in agriculture industry since his graduation in 1982. He commenced his career with Behn Meyer (M) Sdn Bhd in where he has extensive experience in business development, agronomy advisory services to plantations, fertilisers and agrochemicals for more than 17 years. Thereafter, he joined Taiko Fertilizer Marketing Sdn Bhd ("Taiko") for more than 13 years to expand Taiko fertiliser business to East Malaysia and Indonesia. The last position he held in Taiko was the Managing Director. In 2013, he joined Hextar Fertilizers Group of Companies ("Hextar Fertilizers") as Managing Director, he managed to enlarge the production capacity of compaction compound fertilisers for more than 10 times and expanded the customer base in Malaysia as well as overseas market. The last position he held as of December 2020 in Hextar Fertilizers was Group Managing Director.

He does not hold directorship in any other public listed companies. He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 August 2021.

PROFILE OF DIRECTORS
cont'd

WONG KIN SENG
51 years of age, Malaysian, Male
Executive Director
Member of Risk Management Committee

Mr Wong Kin Seng was appointed to the Board as the Executive Director of the Company on 9 May 2017.

He joined the team in 1988 and has accumulated extensive experience through various operations and sales roles within the organisation. Coupled with his market knowledge, he has effectively lead the group's heavy machinery and equipment business to be a market leader in the quarry industry in Malaysia.

He does not hold directorships in any other public listed companies. He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 August 2021.

DATO' ONG CHOO MENG
43 years of age, Malaysian, Male
Non-Independent Non-Executive Director

Dato' Ong Choo Meng was appointed to the Board as the Non-Independent Non-Executive Director of the Company on 1 August 2018.

He graduated from Royal Melbourne Institute of Australia in Bachelor Degree in Business, majoring in Business Finance and Investment.

He is highly competent and professional business leader with more than 15 years of valuable experience in the senior management position. Work experience includes business management of a group of companies, familiar with strategizing and driving business plans with commendable track record in directing business growth for the group. He is responsible for the overall finance, business, corporate development, and expansion strategies for the Hextar Global Berhad and its subsidiaries ("HGB").

He has been in the agriculture industry for more than 15 years specializing in finance and investment activities. He was experienced in Denko Industrial Corporation Berhad where he contributed in providing independent review to ensure corporate accountability in the Board decision. In addition, he was one of the personnel that ensure strategies proposed by the management were fully deliberated and examined in the long-term interest of the company. Presently, he is conversant in directing HGB growth, business expansion, finance and operational affairs.

Currently, he is also the Non-Independent Executive Director of HGB, Group CEO of Hextar Group of Companies and Non-Independent Non-Executive Director of Rubberex Corporation (M) Berhad. He is the major shareholder of the Company and the brother of Ms Ong Tzu Chuen (Non-Independent Non-Executive Director).

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 August 2021.

PROFILE OF DIRECTORS
cont'd

SIM YEE FUAN
55 years of age, Malaysian, Male
Independent Non-Executive Director
Chairman of Audit Committee
Member of Remuneration Committee and Nomination Committee

Mr Sim Yee Fuan was appointed to the Board as an Independent Non-Executive Director of the Company on 13 March 2012.

He graduated from University of Malaya with Bachelor of Accounting (Honour) and obtained his professional qualification from Malaysian Institute of Certified Public Accountants (MICPA). He holds a Master Degree in Business Administration from Northern University of Malaysia. He is a Chartered Accountant registered with the Malaysia Institute of Accountants (MIA).

He started his career with Bank Negara Malaysia ("BNM") from 1991 to 1995 and had gained the banking experience in Balance of Payment Department (now known as Foreign Exchange Administration Department) and Bank Examination 1 Department (now known as Banking Supervision Department). During 1995 to 2006, he was attached to public listed companies on the Bursa Securities where his job responsibilities were in the areas of accounting, finance and corporate management.

Currently, he is also an Executive Director of Unimech Group Berhad, a Senior Independent Non-Executive Director of Saudee Group Berhad and an Independent Non-Executive Director of Eurospan Holdings Berhad. He is also the Commissioner of PT Arita Prima Indonesia TBK, a company listed on Indonesia Stock Exchange.

He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 August 2021.

PROFILE OF DIRECTORS
cont'd

ONG TZU CHUEN
38 years of age, Malaysian, Female
Non-Independent Non-Executive Director

Ms Ong Tzu Chuen was appointed to the Board as a Non-Independent Non-Executive Director of the Company on 27 July 2020.

She graduated from Macquarie University, Australia in 2003 with a Bachelor of Accounting. Upon completing her undergraduate education, she obtained her professional CPA Australia in 2004.

She spent two years servicing audit and tax services in Sydney, Australia. She then started her career in Malaysia where she held various finance and management positions. She has accumulated corporate management experiences of more than 10 years including identifying, evaluating and developing investment opportunities to invest, as well as directing the set-up and expansion of various companies across many industries in South East Asia.

She does not hold directorship in other public listed companies. She is the sister of Dato' Ong Choo Meng, a Non-Independent Non-Executive Director of the Company. She has no conflict of interest with the Company.

She has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 31 August 2021.

DATO SRI CHEE HONG LEONG
57 years of age, Malaysian, Male
Independent Non-Executive Director
Chairman of Risk Management Committee and Nomination Committee
Member of Audit Committee and Remuneration Committee

Dato Sri Chee Hong Leong was appointed to the Board on 10 May 2021.

He graduated with a Bachelor of Engineering (Computer) in 1987 and a Master of Business Administration in 1989, both from McMaster University, Hamilton, Ontario, Canada. He began his career in 1990 coordinating the development in corporate and annual strategic plans for Leisure Holidays Group of Companies. In 1992, Dato Sri Chee ventured into various businesses which involved designing and building individual bungalows for landowners of various housing projects in the Klang Valley as well as building and operating a 100,000 square feet Information Technology Incubation Centre in University Putra Malaysia. Subsequently, he joined Tanco Resort Berhad from 1998 to 2002 where he held various positions from General Manager to Executive Director/Chief Operating Officer.

Currently, he also sits on the Board of SYF Resources Berhad and Microlink Solutions Berhad.

He does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 August 2021.

KEY MANAGEMENT PROFILES

The Management team is headed by the Group Managing Director, Benny Ang, assisted by the Executive Director, Wong Kin Seng and the following Key Senior Management:

LEONG HIN KIEAT
54 years of age, Malaysian, Male
Executive Director of PK Fertilizers (Sarawak) Sdn Bhd
Date of Appointment: 14 September 2005

Qualification:
- Bachelor's Degree (Hons) in Agricultural Science, University Pertanian Malaysia

Working experience:
- Almost 30 years of experience in the fertilisers industry, specialising in the sales, marketing and operation;
- Currently, he is also the Chairman of Fertilizer Industry Association of Malaysia (FIAM) and Honorary Exco Member for Chemical Industry Council of Malaysia (CICM).

He does not hold directorship in other public listed companies. He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 August 2021.

SEAN, LEE KOK PING
38 years of age, Malaysian, Male
Financial Controller/Company Secretary
Date of Appointment: April 2020

Qualifications:
- Professional qualification from Association of Chartered Certified Accountant (ACCA)
- Chartered Accountant – Malaysian Institute of Accountant (MIA)

Working experience:
- More than 10 years working experience specializing in corporate reporting, fundraising, treasury and taxation;
- He has been the Head of Department for more than 5 years, leading the finance team of public listed companies;
- He joined the Company as Financial Controller and subsequently appointed as Company Secretary in December 2020.

He does not hold directorship in other public listed companies. He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 August 2021.

CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of the Board of Directors ("Board") and all of us at Hextar Industries Berhad (formerly known as SCH Group Berhad) ("HIB Group" or the "Company"), I am pleased to present the Company's Annual Report and Audited Financial Statements for the financial year ended 31 August 2021 ("FY2021").

BOARD AND LEADERSHIP UPDATES

I would like to extend a warm welcome to our new Independent Non-Executive Director, Dato Sri Chee Hong Leong ("Dato Sri Chee") who was appointed on 10 May 2021. We believe that Dato Sri Chee's experience will add depth and breadth to Board discussions and we look forward to his contributions.

BUSINESS ENVIRONMENT

The Coronavirus Disease 2019 ("COVID-19") pandemic continues to disrupt the economy and the business environment globally and locally over the year. However, I appreciate the efforts and contributions of the team to persevere through the challenges during the COVID-19 pandemic. Overall, the HIB Group continues to make progress despite all the hiccups and challenges during the COVID-19 pandemic, especially in the fertiliser, heavy equipment and battery divisions.

The Malaysian economy was on track for a broad recovery in 2021 as compared to last year. However, the resurgence of COVID-19 cases has necessitated the re-imposition of nationwide restriction measures, which weighed on growth. In June 2021, the Government of Malaysia ("Government") had once again imposed another nationwide total lockdown, involving strict international and domestic travel restrictions, closure of non-essential services, reduction of operating hours and work force, limitation on the headcount permitted in social gatherings and other measures that affected our business operations.

Nevertheless, the Government had also announced the National Recovery Plan ("NRP") as the strategic initiative to direct the country towards sustainable economic recovery over four (4) phases. Following the mass vaccinations under the National Immunisation Programme, the Malaysian economy is now on its recovery path again.

The HIB Group's core business is the manufacturing and trading of fertilisers, primarily for the oil palm industry. Palm oil is used as the raw material in the production of a wide range of food and non-food products including cooking oil, margarine, soaps, detergents and cosmetics. Hence, despite the imposition of nationwide movement restrictions, the demand for palm oil remained healthy due to its wide spread application in many industries. Our Fertilisers division had been the key contributor to the HIB Group during this challenging period.

CHAIRMAN'S STATEMENT

On the other hand, the Heavy Equipment and Equipment Rental (excluding the trading of industrial batteries) divisions were weighed down by the COVID-19 pandemic. The quarry, mining, construction and event sectors were adversely affected due to the disruptions arising from the Government's restriction orders. Barring any unforeseen circumstances, the Heavy Equipment and Equipment Rental sectors are expected to gradually recover when the impact of the COVID-19 pandemic subsides.

CORPORATE EXERCISE

Our Company has completed a rights issue on the basis of 5 new rights shares for every 1 existing share held by shareholders. The rights issue provided an opportunity for all our shareholders to participate in the fundraising exercise of our Company on a pro-rata basis as opposed to a private placement whereby only selected investors can participate in the fundraising. The rights issue received an overwhelming response with excess application from the shareholders. The Company received a subscription of 125.81% for its rights issue. We would like to express our gratitude to all shareholders for the continued trust and support to the Company.

The rights issue had successfully raised RM111.6 million from the issuance of 929,864,180 new rights shares. 69% of the proceeds from rights issue will be allocated as a working capital to expand the fertilisers division and the trading of industrial products. The balance of the rights issue proceeds (31%) will be allocated to part settle bank borrowings and defray expenses in relation the fundraising activity. The rights issue has strengthened the HIB Group's financial position by increasing our shareholders' funds and reducing gearing.

CORPORATE RESPONSIBILITY

We are committed to a high degree of ethical conduct and integrity. Every person acting on behalf of the Company has the responsibility to uphold our reputation by conducting business in a professional and ethical manner. Bribery and corruption are inextricably linked to a lack of integrity. Therefore, in all of our commercial dealings and relationships, the Company is committed to act professionally and with integrity.

The Company's values of integrity, loyalty, hard work, teamwork, passion, experience and ingenuity will continue to guide us in our core businesses.

ACKNOWLEDGEMENT

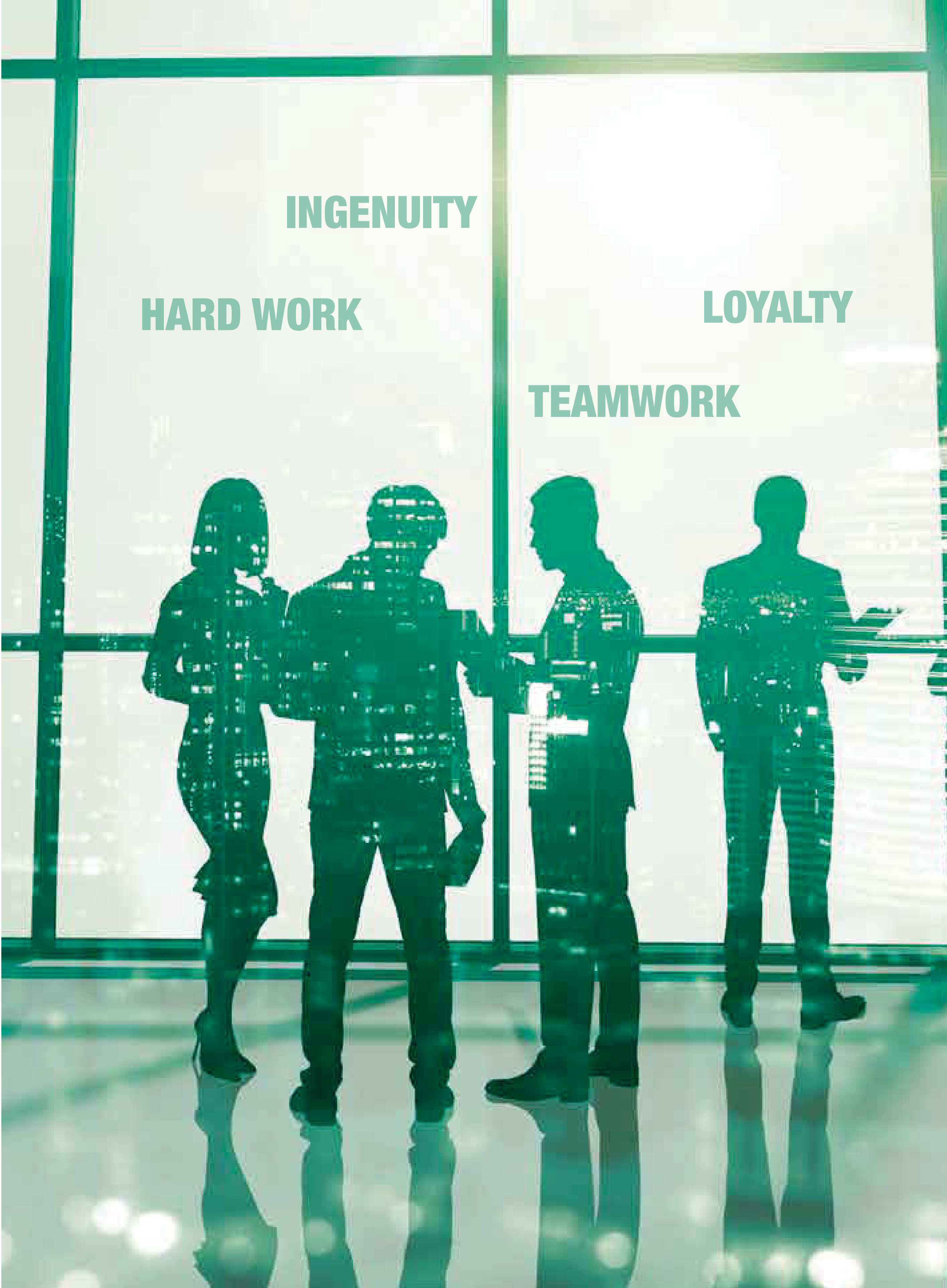
I would like to take this opportunity to offer my gratitude to all our stakeholders - shareholders, customers, suppliers, business partners, financiers, regulatory authorities and employees - for the support and trust in the Group especially during these difficult times.

I would also like to express my sincere appreciation to my fellow Board members for their valuable input, advice and contribution as we persevere through the storm together.

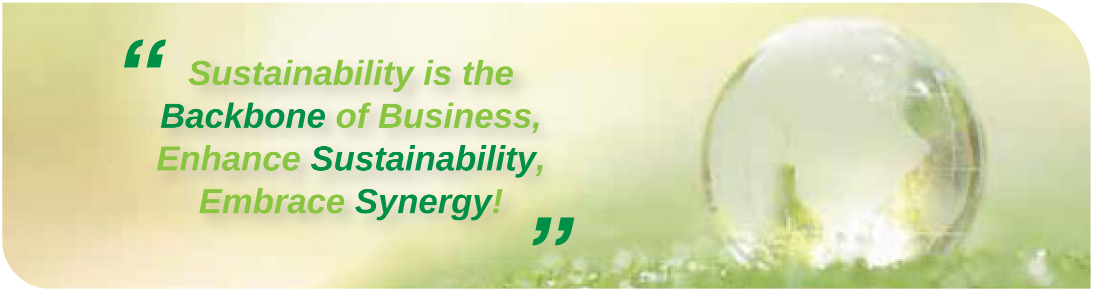
Lastly, I hope our stakeholders will continue to journey on with us as we strive to create value to our stakeholders and society.

Thank you and kind regard

Dato' Chan Choun Sien
Independent Non-Executive Chairman


INGENUITY
HARD WORK
LOYALTY
TEAMWORK

SUSTAINABILITY STATEMENT 2021



INTRODUCTION

Hextar Industries Berhad ("HIB") and its subsidiaries ("the Group" or "HIB Group") recognise the significance of sustainability in driving the Group's long-term growth and success so as to create sustainable values to our various stakeholders.

In supporting sustainability development advocated by Bursa Malaysia Securities Berhad ("Bursa Securities"), we embed the principles of sustainability within the context of economic, environmental, social and governance into our business operations and governance structure, whenever possible.

The Board of Director ("Board") is pleased to present the Sustainability Statement for the financial year ended 31 August 2021 ("FYE 2021") to illustrate our strategic approaches in addressing sustainability challenges and opportunities within our business operations in Malaysia for the period from 1 September 2020 to 31 August 2021, unless otherwise specified.

BASIS OF THIS STATEMENT

This statement was prepared based on all internal information available with reference to Bursa Securities' ACE Market Listing Requirements relating to Sustainability Statements and Sustainability Reporting Guide 2nd Edition.

SCOPE OF THIS STATEMENT

This Statement covers HIB Group's activities for the FYE 2021, including the business of manufacturing and distributing fertilisers products, supplying and distributing quarry related products, rental of machinery and equipment, as well as trading of industrial batteries.

FEEDBACK

As an effort to enhance our sustainability measuring and reporting standards, we welcome stakeholders' feedback on this Statement and any of the matters covered. Relevant comments and queries can be directed to finance.hexind@hextar.com.

OUR SUSTAINABILITY COMMITMENTS

The United Nations Member States has introduced the 2030 Agenda for Sustainable Development with seventeen (17) Sustainable Development Goals ("SDG") in 2015 to serve as a universal call to action for the planet protection and sustainable prosperity for all. In HIB, we support sustainable development by focusing on the identified seven (7) SDGs which are most relevant to our business operations.

SUSTAINABILITY STATEMENT 2021
cont'd

With the relevant SDGs identified in mind, we have formulated our sustainability strategies by embedding our sustainability commitments within the Economic, Environment, Social and Governance contexts as follows: -

ECONOMIC

- To expand and grow the businesses continuously.
- To meet our customers' demand and to deliver quality products and services on time.
- To generate sustainable returns to shareholders.

ENVIRONMENTAL

- To preserve our environment by minimising environmental damaging effects arising from our daily operations.
- To promote and encourage green actions for the protection of natural environment.

SOCIAL

- To promote a well-balanced, motivative and productive workplace.
- To prioritise health, safety and wellbeing of our people.

GOVERNANCE

- To ensure and uphold full compliance to all applicable rules, laws and regulations.
- To advocate and ensure ethical, accountable and transparent business dealing within the Group.

Table 2: Sustainability Principles

To further strengthen our sustainability commitment, we have established an Environmental, Social and Governance ("ESG") Policy with the following aims in order to achieve long-term business success while creating values for all stakeholders, including empowering communities, encouraging social inclusivity and improving the environments: -

HIB ESG Policy

- ✓ To enhance investor perception and public trust that works towards value enhancement for stakeholders in the long run;
- ✓ To make the Earth a better place to live in through responsible investing;
- ✓ To ensure that potentially harmful occupational health and safety, environmental and social effects are properly assessed, addressed and monitored; and
- ✓ To stand on the integrity of corporate governance across the Group's investee companies, shareholders, the Board and all employees.

SUSTAINABILITY STATEMENT 2021
cont'd

OUR SUSTAINABILITY GOVERNANCE

Board of Directors			
Ultimate responsibility for HIB's sustainability initiatives and strategies			
Audit Committee	**Nomination Committee**	**Remuneration Committee**	**Risk Management Committee**
Oversees and monitors internal control system and risk management activities within the Group	*Evaluates and oversees Board and Senior Management appointment related matters*	*Evaluates, develops and establishes remuneration policy and packages for individual directors*	*Reviews, oversees and monitors risk management function within the Group*

Table 3: Sustainability Governance Structure

An integrated sustainability governance structure is in place in the Group to facilitate proper planning, implementation and oversight of sustainability initiatives and strategies. Our Board is ultimately accountable for overseeing the Group's sustainability initiatives and strategies as a whole. To ensure an effective discharge of responsibilities, the Board is supported by four (4) Board committees, i.e., Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee to look into the Group's internal controls, risk management, Board effectiveness as well as sustainability affairs.

OUR BUSINESS ETHICS IN ENSURING SUSTAINABILITY

In an effort to ensure good corporate governance and sound business ethics across all business units, we have implemented the following policies to promote ethical business conducts amongst the Group: -

Code of Conduct and Ethics ("Code")

The Code is established to ensure that the Group's business transactions are not tainted by malpractices. Key contents of the Code are: -

- The Group's professionalism, honesty and integrity must be upheld at all times;
- Decision on vendors or business partners shall be weighted objectively and impartially;
- All applicable laws and regulations shall be adhered to accordingly;
- Money laundering and insider trading are strictly prohibited;
- Discrimination and harassment are prohibited;
- Employees must never engage in any fraudulent or dishonest conduct;
- Directors and employees must disclose immediately all contractual interest and shall avoid conflicts of interest whenever possible; and
- Employees must not disclose confidential information or allow such disclosure.

SUSTAINABILITY STATEMENT 2021
cont'd

Anti-Bribery and Corruption Policy ("ABCP")

The Group has zero-tolerance against any form of bribery and corruption and we attempt to conduct business with integrity, honesty and respect. The ABCP is implemented with, including but not limited to, the following policies: -

- Corruption risk assessment shall be conducted for every three (3) years and when there is a change in business circumstance;
- Due diligence shall be conducted prior to entering into any formalised relationships;
- Regular audits shall be carried out to ensure compliance with the ABCP;
- Training and awareness programmes shall be provided to educate and promote anti-bribery and corruption principles;
- "No-Gift" policy is adopted, with exception subject to written approval from Head of Company, Group Managing Director ("MD") or Financial Controller;
- Any facilitation payment request shall be declined and reported to the Group MD or Higher Management immediately;
- Proper background and assessment checks shall be conducted occasionally for recruitments;
- Business associates, where the Group retains controlling interest, are required to adhere and comply to the Group's ABCP;
- All employees are obligated to abide to the Group's ABCP; and
- Any conflict of interest must be declared immediately.

TARGET 16·5

SUBSTANTIALLY REDUCE CORRUPTION AND BRIBERY

Whistle Blowing Policy

For any suspected and/or known misconduct, wrongdoings, corruption, fraud, waste, and/or abuse involving the resources of the Group, employees are encouraged to make a report either to the immediate supervisor, the Group MD or the Chairman, whoever appropriate. An investigation shall be carried out independently and appropriate actions shall be carried out thereafter.

Stakeholders are also encouraged to make reports via email for any suspected fraud, misconduct or integrity concerns to the Audit Committee Chairman.

All whistleblowers reporting in good faith will be protected and the relevant information received will be treated confidentially in the strictest manner.

TARGET 16·6

DEVELOP EFFECTIVE, ACCOUNTABLE AND TRANSPARENT INSTITUTIONS

All the Code, ABCP and Whistle Blowing Policy are made available on HIB's website at https://ir2.chartnexus.com/hexind/corporate-governance.php.

We are pleased to announce that no employees had been disciplined or dismissed, no contracts with suppliers or customers have been terminated, nor have any public cases been brought against HIB and its employees due to non-compliance with the Code, ABCP and/or any laws and regulations in FYE 2021.

SUSTAINABILITY STATEMENT 2021
cont'd

STAKEHOLDERS ENGAGEMENT

HIB acknowledge the synergetic relationships amongst our various stakeholders and the significance of having regular engagement with them. We have identified our stakeholders, along with respective interest areas and engagement approaches, in the following table: -

Stakeholders	Areas of Interest/Material Matters	Engagement Approaches
Shareholders/ Investors	❖ Business profitability ❖ Business management ❖ Corporate governance ❖ Investment risk and return ❖ Share price performance	❖ Quarterly financial results ❖ Annual report ❖ Bursa announcements ❖ General meetings ❖ Press releases and interview sessions ❖ Company website
The Board	❖ Sustainable business growth ❖ Financial and operational performances ❖ Corporate strategies and business risks management ❖ Stakeholders' interests	❖ Board meetings ❖ General meetings ❖ Company events
Employees	❖ Career growth and opportunities ❖ Training and development ❖ Talent and performance management ❖ Occupational health and safety ❖ Competitive compensation and benefit packages	❖ Training and development programmes ❖ Regular engagement with Senior Management ❖ Performance appraisals ❖ Company events
Customers	❖ Products and services quality ❖ Customer satisfaction ❖ Technological and operational innovation ❖ Competitive pricing and on-time delivery	❖ Face-to-face interaction ❖ Email communications ❖ Company website and social media ❖ Company events ❖ Advertisement and marketing events
Suppliers	❖ Sustainable business relationships ❖ Procurement process ❖ Supplier selection and credit terms	❖ Face-to-face interaction ❖ Email communications ❖ Annual supplier assessment
Community	❖ Domestic job creation ❖ Environmental impact from business operations ❖ Local economic support ❖ Community wellbeing	❖ Company website and social media

Stakeholders	Areas of Interest/Material Matters	Engagement Approaches
Regulators/ Law Enforcers	❖ Legal compliance ❖ Permits and licenses ❖ Corporate governance ❖ Occupational health and safety	❖ Meetings/visits ❖ Verification/inspection ❖ Bursa announcements ❖ Ad-hoc report submission as and when needed by regulators/law enforcers
Banker/ Financier	❖ Financial and operational performance ❖ Ability of repayment	❖ Periodic meetings/visits ❖ Bursa announcements ❖ Media release
Analyst/Media	❖ Financial and operational performance ❖ Business strategies and plans ❖ Latest development and announcement of the Group	❖ General meetings ❖ Press conference and media interviews ❖ Media release

Table 4: Stakeholders Engagement

MATERIAL MATTERS ASSESSMENT

Materiality assessment is an essential procedure for us to identify and prioritise any arising sustainability risks and opportunities that are significant and relevant to our Group's business operations as well as the interest of our various stakeholders. We perform an annual materiality assessment according to the following process: -

01 Identification	02 Assessment	03 Ranking
Identify material matters that are most relevant to the Group's business operations.	Assess the material matters identified from both business and stakeholder perspectives.	Rank each identified material matter by prioritising its impacts to the business and stakeholder respectively.

Table 5: Process of Materiality Assessment

SUSTAINABILITY STATEMENT 2021
cont'd

We have reassessed our material matters in FYE 2021 and ranked twelve (12) key areas which matter the most to the Group and various stakeholders, scaling from "Important" to "Most Important" as shown in the following **Material Matters Matrix**: -

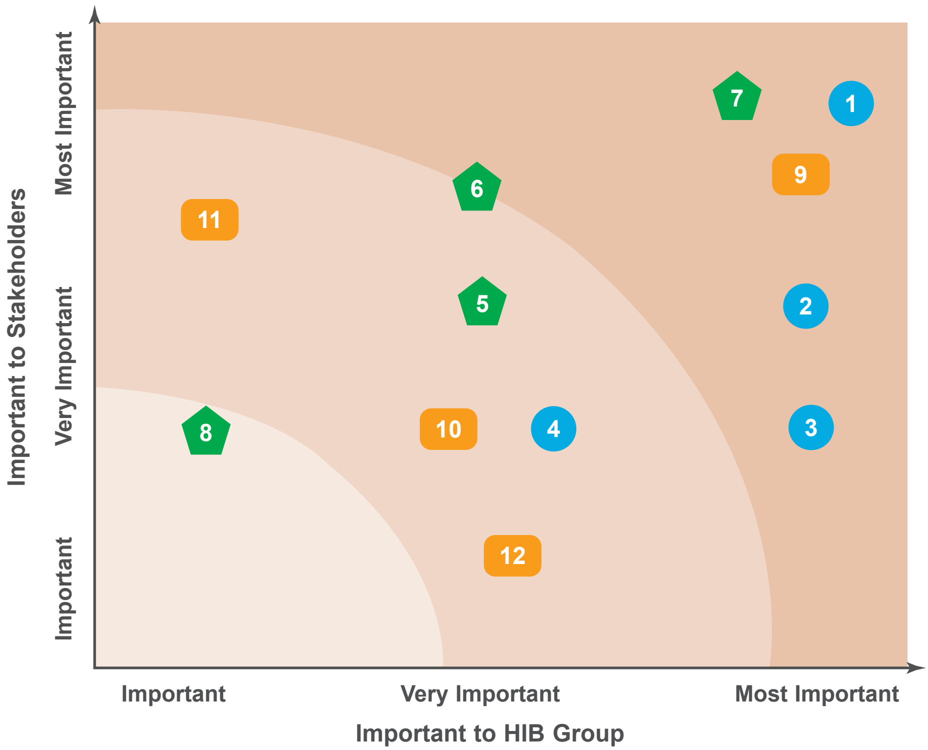


Chart 1: Scatter Plot Matrix of Material Matters

ECONOMIC	ENVIRONMENTAL	SOCIAL
1 Business Continuity	5 Energy Efficieny and Consumption	9 Occupational Safety and Health
2 Products and Services Quality Assurance	6 Waste Management	10 Employee Welfare
3 Customer Satisfaction	7 Environmental Compliances	11 Employee Diversity and Equal Opportunity
4 Supply Chain Management	8 Go Green in Our Workplace	12 Motivational Culture and Employee Development

Table 6: List of Material Matters

ECONOMIC

BUSINESS CONTINUITY

Stepping into another year of Covid-19 pandemic, business continuity is definitely remained as utmost priority of the Group as it determines business sustainability and the future of the Group.

Our Equipment Rental division is still heavily impacted in FYE 2021 due to the restriction of gathering and travelling arising from the enforcement of various Movement Control Orders ("MCO") and National Recovery Plan ("NRP"). However, we see lights at the end of the tunnel where our Fertilisers division and Heavy Equipment division are getting back on track with business operations approval granted by the Malaysian Government during the MCO and NRP period.

This year, we continue to implement our Business Continuity Plan ("BCP") formulated and guided by our BCP Management Team. The BCP Management Team is formed to develop business continuity plan to recover business from any incident, crisis or disaster in the quickest possible time, whether it is natural, accidental or deliberate, and regardless of the scale. Our BCP Management Team structure is as follows: -

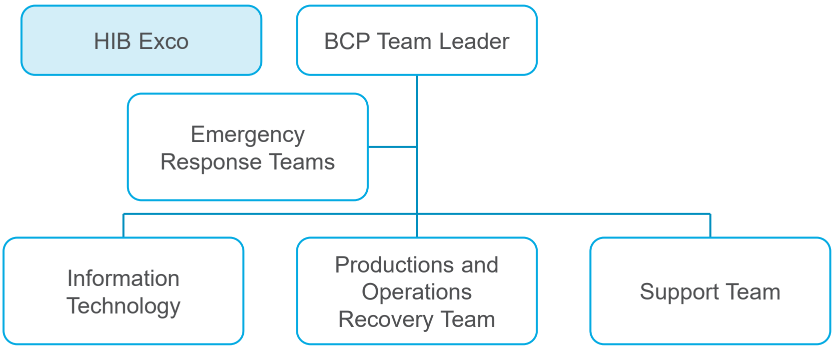


Chart 2: Structure of BCP

With the formation of our BCP Management Team, we are confident that the Group is able to weather through this Covid-19 pandemic and working towards business growth next.

We have also taken a new look at our business continuity planning through the offering of additional industrial products. In satisfying the market demand and request from various customers, we are now offering a broader product range from industrial batteries, solar panels and inverters to water heater related products.

SUSTAINABILITY STATEMENT 2021
cont'd

PRODUCTS AND SERVICES QUALITY ASSURANCE

As a responsible entity, we always strive to deliver quality products and services in order to meet or exceed our customers' requirements and expectation.

For our Fertilisers division, we have a wide range of products, i.e., more than 80 products to suit for various needs of our customers. We have been holding the reputation of high-quality products over 17 years in the fertilisers industry.

For our Heavy Equipment division, we have been serving the quarry industry for more than 38 years and managed to establish a strong branding and reputation by delivering quality products and services in the specialised fields of supplying quarry equipment and machinery, wire mesh and spare parts of reliable brands. Warranty provided by the suppliers under the distribution agreement signed would ensure the quality of products offered and thereby increase our customers' confidence accordingly.

For Equipment Rental division, our high-quality products and services is assured by the accreditation of ISO 9001:2015 on our Quality Management System, under the scope of "Provision of Sales & Rental, Installation & Dismantling of Machineries including Air-Conditioning, Generator Set and Chiller".

As a quality-driven company, we will continue to maintain and/or improve our products and services quality in order to achieve our long-term business goals and success.

CUSTOMER SATISFACTION

To remain competitive in the market, we placed great emphasis on customers satisfaction. All customers' feedbacks, whether good or bad, will be taken constructively as customers' requirements and expectations motivate us to improve further. All customers' queries or complaints shall be addressed appropriately on timely manner.

For our Heavy Equipment division, we provide warranty for new quarry machinery to enhance customer's confidence and save their hassles within warranty period. In addition, our sales and service team shall provide timely response to customer upon breakdown of their quarry machinery. We have also launched our E-commerce platform where customers are able to purchase products online at their convenience with the live chat customer support features made available on the platform.

For our Equipment Rental division, we welcome and appreciate customers' feedback on their satisfaction level towards our service quality by rewarding them with freebies such as pen drive.

SUPPLY CHAIN MANAGEMENT

Effective supply chain management with consistent delivery of quality products and services from our suppliers is the key to ensure smooth and efficient operations in our Group.

Procurement is a core function within the supply chain management. We ensure our procurement team abide with highest business ethics during procurement process to prevent any potential bribery actions. Evaluation and selection of qualified suppliers should also be carried out on fair and unbiased basis.

To manage and maintain the quality of supplies, we conduct annual supplier assessment for all suppliers listed on the approved suppliers listing. The assessment takes into consideration of pricing competitiveness, quality of product, after-sales support and/or services, product warranty and supplier's financial position. Decision shall be made on whether to continue or terminate the business relationship with respective suppliers using a rating approach. We are also actively sourcing for new suppliers with better credit term and/or better quality of products or services to expand our pool of qualified suppliers.

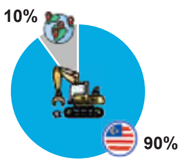


Chart 3: Local vs Overseas Suppliers of Heavy Equipment Division

Meanwhile, we are putting efforts to support our domestic economy development by sourcing raw materials locally, whenever possible. For our Heavy Equipment division, we engaged 112 suppliers in the FYE 2021, in which 101 suppliers or 90% are local suppliers and only 10% are overseas suppliers.

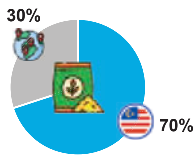


Chart 4: Local vs Overseas Suppliers of Fertilisers Division

For our Fertilisers division, we manage our supply chain by sourcing 20 suppliers in the FYE 2021, in which 14 suppliers or 70% are local suppliers and 30% are overseas suppliers. Despite the industry is experiencing global fertilisers supply shortage crisis, we work closely with international fertiliser suppliers to ensure timely delivery of raw materials and to obtain strong pricing support from them.

We maintain a wide range of suppliers in order to reduce concentration and dependency risks while ensuring the consistency of supplies and stability of our raw materials cost.

We have successfully secured a sole distributorship to distribute top hammer products from Robit Plc, a Finland based company. On the other hand, the sole distributorship agreement with suppliers such as Robit Plc and SOOSAN CSM Co. Ltd allow us to have consistent and sufficient quality supplies while we strive to increase our market presences and shares in the industry. Our supplier, Robit Plc, also provides training for our sales and procurement team to have a better understanding on new product features and function.

SUSTAINABILITY STATEMENT 2021
cont'd

ENVIRONMENTAL

ENERGY EFFICIENCY AND CONSUMPTION

In line with SDGs Target 8.4 and 9.4, we aim to achieve energy efficiency using environmentally friendly machinery and equipment that can reduce energy usage while performing at optimal level. We also perform regular and proper maintenance on machineries to attain the optimal level of operations.

Within our Equipment Rental division, we have procured environmental-friendly chillers from an established supplier. It adopts eco-friendly refrigerant, which has zero Ozone Depletion Potential and no phase out date as per the Montreal Protocol.

Zero Ozone Depletion Potential

Variable Speed Drive

This type of chiller also introduces a new microchannel coil where the microchannel design is able to maximise the condenser heat transfer which can then lead to a reduction of refrigerant charge by as much as 50%.

In addition, with the use of Variable Speed Drive technology, the chiller is able to have a soft start with lesser input current than full load current. The smooth acceleration greatly reduces the stress on motor and driveline, thereby increase energy efficiency and lifespan of the chiller.

The usage of this chiller shall also contribute to the reduction of greenhouse gases emission as compared to other chillers.

WASTE MANAGEMENT

All wastage or residual of materials from our business operations are being managed and disposed properly.

Within our Heavy Equipment division, carbon wire wastage is unavoidably generated from the production of wire mesh. In supporting SDG Target 12.5, we are putting our best effort to maintain low wastage ratio via safe-keeping of the off-specification wire mesh produced for modification and fit into similar specification for subsequent new customer orders. The remaining scrap carbon wire generated is then gathered appropriately and disposed to scrap metal trader periodically for recycle purpose. Hence, it could conserve natural resources and reduce the amount of wastage sent to landfill and incinerators. Our production manager holds the responsibility to oversee the waste management in our daily production.

SUSTAINABILITY STATEMENT 2021
cont'd

ENVIRONMENTAL COMPLIANCES

With environmental concerns in mind, we ensure our business operations run in compliance to all applicable environmental rules and regulations within Malaysia. We also put in place an Environment Policy with the following major aims: -

- Complying with consents and other regulatory standards
- Integrating environmental issues in financial planning and decision making
- Using best practical options to prevent pollution
- Promoting efficient use of resources

We are glad to announce that no penalty or fine was imposed by relevant regulatory authorities due to non-compliance to environmental laws and regulations in FYE 2021.

GO GREEN IN OUR WORKPLACE

Climb Your Way to Better Health

This year, we continue to promote the "Climb Your Way to Better Health" campaign, where employees are encouraged to use stairways instead of office lift. This campaign shall create a win-win situation where our people get healthier while conserving the energy in our workplace.

Save Paper, Save Trees

We truly believe that environmental sustainability depends on continuous efforts contributed by all of us. We advocate SDG Target 12.2 within our workplace and promote several green initiatives amongst the Group such as encouraging employees to leverage on technology to conduct virtual meetings and make good use of paper in our daily operation where internal use documents are printed on both sides and scrap papers are collected for drafting purpose, whenever possible.

SUSTAINABILITY STATEMENT 2021
cont'd

SOCIAL

OCCUPATIONAL SAFETY AND HEALTH ("OSH")

In advocating SDG 3 of ensuring healthy lives for all, our people's health and safety are always within the top priority list of the Group especially during the current Covid-19 pandemic.

We have established a Health and Safety Policy and Personal Protective Equipment Policy to serve as a guidance in safeguarding our employees, customers as well as the community's health and safety. OSH Committee, led by the Group MD, was formed to oversee OSH related matters. Investigation will be carried out by OSH team to determine the root cause in the event of any incident or accident happened and appropriate control or action plan will be proposed thereafter on timely basis.

OSH Committee

Health and Safety Policy

Personal Protective Equipment Policy

All employees should adhere to Personal Protective Equipment Policy. All employees should be well-equipped with safety footwear and eye protection equipment. Disciplinary actions such as penalties and warnings will be undertaken against any employee for non-compliance of the said policy and any other relevant applicable laws and regulations.

In addition, we maintain first-aid kits across the Group in accordance to the standards and requirements as per Occupational Safety and Health Act. We also ensure that monthly maintenance on office lift is conducted consistently to secure our people's safety.

Under our stringent OSH management, only one (1) minor injury case was accidentally happened during FYE 2021. Moving forward, we will continue to improve further in order to achieve a zero-injury working environment for our employees.

Preventive Measures for Covid-19

Coming to another year where we are still exposed to the health threat arising from the Covid-19 pandemic, we continue to strictly adhere to the Covid-19 Standard Operating Procedures ("SOP") advocated by the Malaysian Government.

Our preventive measures for Covid-19 are as follows: -

- ✓ Temperature scanner and MySejahtera QR Code are prepared at the entrance of all business premises where employees and visitors are required to conduct temperature screening and MySejahtera QR Code scanning before entering the buildings.
- ✓ Hand sanitisers are prepared at the premises entrances and office lift for the convenience of employees and visitors in line with SDG Target 6.2.
- ✓ Face masks are provided to our employees on daily basis to protect our people.
- ✓ Saliva test kits are provided to employees where all employees are required to perform Covid-19 self-test twice a month for the monitoring of workplace safety.

OCCUPATIONAL SAFETY AND HEALTH ("OSH") *(cont'd)*

Preventive Measures for Covid-19 *(cont'd)*

Our preventive measures for Covid-19 are as follows: - *(cont'd)*

- ✓ In the fulfillment of SDG Target 3.8, we have also granted vaccine allowance and two-day leaves for all employees in conjunction with the roll out of vaccination programme by the Government to encourage for vaccination.
- ✓ Consistently promote awareness on Covid-19 symptom identification, prevention procedures and measures to enhance immunity system by displaying relevant information within the office and warehouse areas.

EMPLOYEE WELFARE

In order to maintain a sustainable workforce, we are promoting a well-balanced workplace by emphasising the wellbeing and development of our employees. The following benefits are provided to our employees according to their respective job grade and/or years of service: -

- ✓ Annual leave
- ✓ Medical leave and benefit
- ✓ Maternity leave
- ✓ Marriage leave
- ✓ Paternity leave
- ✓ Compassionate leave
- ✓ Prolonged illness leave
- ✓ Travelling claims
- ✓ Personal Accident Insurance Policies
- ✓ Group Medical Card Policy

We encourage our employees to enhance their skills and knowledge by offering Sponsorship for Professional Membership to employee at executive level or above. Employee who is part of the accredited professional bodies or associations that is related to the Group's business nature is eligible to claim for the annual membership fee, subject to approval by the Management.

SUSTAINABILITY STATEMENT 2021
cont'd

EMPLOYEE DIVERSITY AND EQUAL OPPORTUNITY

We are cognisance of the importance in having a diverse workforce with a mixture of cultural background, experiences, gender, age group and religion to enhance the creativity, productivity and business growth. As at 31 August 2021, we have a total of 168 employees, as follows: -

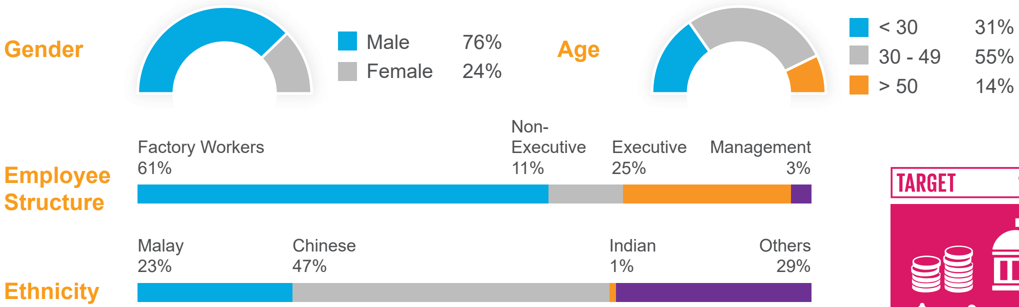


Chart 5: Diversity of Workforce

In advocating SDG Target 10.2, no discrimination in terms of race, religion, culture, gender, age and nationality shall be practiced within the Group. We also strive to provide equal opportunities to all, whenever possible.

MOTIVATIONAL CULTURE AND EMPLOYEE DEVELOPMENT

A motivated working environment shall create positive working culture and enhance employees' efficiency. The Group's values of integrity, loyalty, hard work, team, passion, experience and ingenuity are embedded into our daily operations. We work as a team and we support each other relentlessly. Motivational quotes are displayed within office areas to inspire our employees to stay motivated in order to achieve their Key Performance Indicators.

On top of motivational support, we are well aware that training and development are essential for employees to sharpen their skills and enhance their competencies. For new employees, orientation programme is rolled out by Human Resources ("HR") Department so that our new joiners can get better understanding of the Group. For existing employees, both external trainings and internal on-job trainings are provided. External training programmes are recommended by respective Head of Department in considering the needs of the various employees and their job scopes. The external training programmes attended by our employees during FYE 2021 is as follows: -

Training Programme Attended	Date
National Institute of Occupational Safety and Health ("NIOSH") – Oil & Gas Safety Passport - Refresher	September 2020
	October 2020
Perform Work at Height (MOM)	December 2020
NIOSH – Oil and Gas Safety	February 2021
HR System	June 2021
Corruption Risk Management	July 2021

Table 7: List of Training Programmes Attended

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW OF THE HEXTAR INDUSTRIES BERHAD'S BUSINESS

Hextar Industries Berhad (formerly known as SCH Group Berhad) was listed on the ACE Market of Bursa Securities on 13 February 2014. The principal activity of the Company is that of investment holding. Through its subsidiaries ("the Group") was initially involved in quarry business as a distributor and supplier of general industrial products and slowly transitioned to focus on quarry industrial products. In FY 2018, the Group has diversified into divisions of fertilisers and equipment rental. In addition, in mid-2020 the Group has also ventured into the trading of industrial batteries and related products/peripherals.

Presently, the Group is principally engaged in three (3) core business segments:

Division	Principal activities
Fertilisers	- Manufacturing, trading, distribution and wholesale of fertilisers.
Heavy equipment	- Supplying and distributing machinery, reconditioned machinery, spare parts, conveyor belts and related industrial products to quarry industry; and - Manufacturing, distributing and supply of quarry crusher screens.
Equipment rental	- Provision of temporary temperature control, power, structure solutions; and - Trading of industrial products that includes forklifts, industrial batteries and/or its accessories/parts.

Table 8: Principal Activities of Segments

The Group remains focused on its core competencies with its principal business division to remain competitive in its business and continue to generate profitability and create shareholders' value.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

The fertilisers supply by our Group can be categorise into the following types:-
- Straight Fertilisers – fertiliser that provide one or two nutrients to the crop;
- Mixture Fertilisers – mixed fertilisers that containing most of the important nutrients for the crop;
- Compacted Compounds – granulated fertilisers that have all the primary nutrients to ensure balanced fertilization.

The fertilisers produced and distributed by our Group, include but not limited to Kal-Mag (i.e. fertilisers containing Nitrogen, Phosphorus, Potassium and Magnesium), granular blend fertiliser, micronutrient fertiliser, imported compound fertiliser, control release fertiliser, organic compound fertiliser and household fertiliser.

For Heavy Equipment division, our group supply vertical-shaft impact crusher, mobile crusher, crawler drill, breaker, ripper, etc.

Whilst for Equipment Rental division, our group supply air conditioning and cooling systems, power distribution equipment, display and exhibition furniture, and temporary structures for the events as well as industrial batteries for the usage of construction of data centres, telecommunications infrastructure and solar power plants.

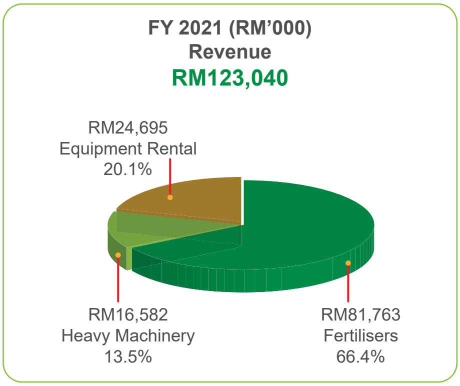
The location of our manufacturing plants and/or sales offices with respective division is as below:-

Division	Location of manufacturing plants and/or sales offices
Fertilisers	Sarawak (Bintulu)
Heavy equipment	Selangor, Penang, Johor, Kuantan, Sabah and Sarawak
Equipment rental	Selangor (Seri Kembangan)

Table 9: Location of Manufacturing Plants and/or Sales Office

2. FINANCIAL PERFORMANCE REVIEW

2.1 Revenue, Gross Profit ("GP") and GP Margin ("GPM")



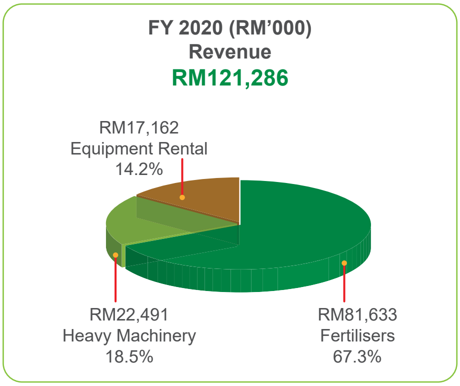


Chart 6: Revenue by Segments

FY 2021 has been a challenging year where the global COVID-19 pandemic has not only intruded people's lives, but also stifled economies by forcing the world into an unprecedented lockdown, movement restrictions and work disruptions. The Movement Control Orders ("MCO") imposed had affected many businesses and industries, including our Group. Nevertheless, with certain improvements in our business strategies, the Group has recorded improvement in FY 2021 as compared to the last financial year.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

Revenue

Our Group's overall revenue has increased marginally by RM1.7 million or 1.4% from RM121.3 million in FY 2020 to RM123.0 million in FY 2021. For FY 2021, Fertilisers division was the largest revenue contributor that 66.4% of our Group's total revenue, while the remaining revenue was contributed from the Equipment Rental division at 20.1% and Heavy Equipment division at 13.5%.

The breakdown of the revenue by business division is as follows:

	FY 2021	FY 2020	Variance	
	RM'000	RM'000	RM'000	%
Fertilisers	81,763	81,633	130	0.2
Heavy Equipment	16,582	22,491	(5,909)	(26.3)
Equipment Rental	24,695	17,162	7,533	43.9
Total revenue	**123,040**	**121,286**	**1,754**	**1.4**

Table 10: Revenue by Segments

(a) Fertilisers

Revenue from our fertilisers division remained relatively consistent, stood at RM81.8 million and RM81.6 million for FY 2021 and FY 2020 respectively.

During the current financial year, our manufacturing plant located at Sarawak has recorded a lower revenue by 18.1% as compared to FY 2020 due to the shortage of raw material supplies, restriction in production capacity and logistics hours. However, such decrease in revenue was recovered by our penetration strategy via the acquisition of PK Fert Sdn Bhd ("PK Fert") to expand our market exposure in Peninsular Malaysia. In result, Fertilisers division achieved a marginally higher revenue as compared to FY2020.

(b) Heavy Equipment

Revenue from Heavy Equipment division decreased by RM5.9 million or 26.3% from RM22.5 million in FY 2020 to RM16.6 million in FY 2021.

The decrease in revenue from Heavy Equipment division was mainly due to decrease in demand from mining, quarrying and construction activities as a result of COVID-19 pandemic and various movement restrictions implemented throughout the year. The revenue in FY 2020 was generally higher as first half of FY 2020 which is from September 2019 to February 2020 was not impacted by COVID-19 pandemic. Ever since implementation of movement restrictions, Heavy Equipment division have been negatively impacted by temporary halt of existing projects or operations, and/or delays or cancellation of new projects or business expansions.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

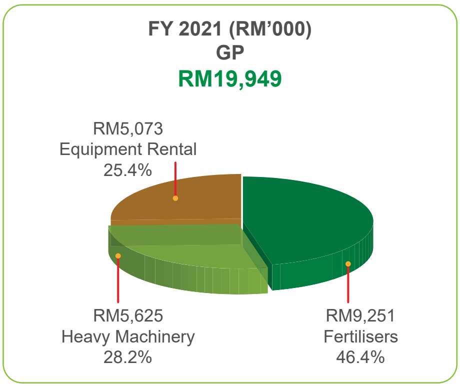
(c) Equipment Rental

Revenue from Equipment Rental division increased by RM7.5 million or 43.9% from RM17.2 million in FY 2020 to RM24.7 million in FY 2021.

The increase in the revenue Equipment Rental division was mainly arising from the industrial battery sector which increased by RM6.1 million or 98.4% from RM6.2 million in FY 2020 to RM12.3 million in FY 2021. The Group had just started the business of trading of industrial batteries and its related products/peripherals in mid of FY2020. As an authorised distributor to supply industrial battery for storing renewable energy, the said business continues to contribute higher revenue to the Group for FY 2021 with the navigation of competent personnel.

In conjunction with the supply of temperature control equipment for the Tokyo Olympic 2020, Equipment Rental division generated higher revenue as compared to last financial year.

Gross Profit ("GP") and Gross Profit Margin ("GPM")



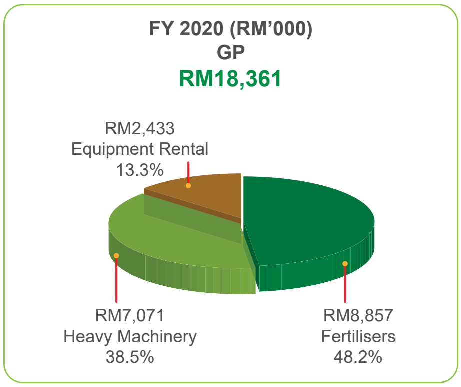


Chart 7: GP by Segments

Our Group's overall GP increased by RM1.5 million from RM18.4 million in FY 2020 to RM19.9 million in FY 2021. The Fertilisers division remained as the largest GP contributor in FY 2021, with a GP of RM9.3 million or 46.4% of our total GP, followed by Heavy Equipment division of RM5.6 million or 28.2% of our total GP and Equipment Rental division of RM5.1 million or 25.4% of our total GP.

During FY 2021, the GPM of all our business divisions have increased and resulted in overall increase in our GPM by 1.1% from 15.1% in FY 2020 to 16.2% in FY 2021. Nevertheless, the Equipment Rental division has contributed the greatest increment among all divisions, by 6.3% from 14.2% in FY 2020 to 20.5% in FY 2021.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

The breakdown of the GP and GPM by business division are as follows:

	GP		GPM	
	FY 2021	FY 2020	FY 2021	FY 2020
	RM'000	RM'000	%	%
Fertilisers	9,251	8,857	11.3%	10.8%
Heavy Equipment	5,625	7,071	33.9%	31.4%
Equipment Rental	5,073	2,433	20.5%	14.2%
Total GP and GPM	**19,949**	**18,361**	**16.2%**	**15.1%**

Table 11: GP and GPM by Segments

(a) Fertilisers

GP from our Fertilisers division increased by RM0.4 million or 4.5% from RM8.9 million in FY 2020 to RM9.3 million in FY 2021. GPM of Fertilisers division also marginally increased from 10.8% in FY 2020 to 11.3% in FY 2021. Better GPM mainly due to the contribution from Peninsular Malaysia's Market.

(b) Heavy Equipment

In line with the decrease in revenue as affected by FMCO, the GP from our Heavy Equipment division decreased by RM1.5 million or 21.1% from RM7.1 million in FY 2020 to RM5.6 million in FY 2021.

The GPM increased by 2.5% from 31.4% in FY 2020 to 33.9% in FY 2021. The increase in the GPM was mainly due to the favourable product mix.

(c) Equipment Rental

In accordance with the increase in revenue from our Equipment Rental division, GP from our Equipment Rental division has also increased significantly by RM2.7 million or 112.5% from RM2.4 million in FY 2020 to RM5.1 million in FY 2021. This was mainly due to a secured project for the supply of industrial battery to Indonesia which has contributed with an improved GP and GPM.

On top of that, TK Rentals Sdn Bhd ("TK Rentals") has successfully secured and supplied temperature control and ventilation equipment for Tokyo Olympic 2020 which yielded a higher GPM.

Coupled with our forklift sector, we have achieved a great improvement from the number of units for forklift rent average five (5) units monthly in FY 2020 to average sixteen (16) units monthly in FY 2021, which subsequently contributed to the increase in both GP and GPM.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

2.2 Financial Result Analysis

	FY 2021	FY 2020	Variance	
	RM'000	RM'000	RM'000	%
Gross profit	19,949	18,361	1,588	8.6
Other income	2,466	12,203	(9,737)	(79.8)
Net impairment loss on financial assets	(103)	(1,928)	1,825	94.7
Administrative expenses	(11,774)	(11,309)	(465)	(4.1)
Selling and distribution expenses	(7,269)	(8,684)	1,415	16.3
Other operating expenses	(130)	(12,885)	12,755	99.0
Finance cost	(2,602)	(3,378)	776	23.0
Profit/(Loss) before tax	537	(7,620)	8,157	>100.0
Taxation	1,379	(271)	1,650	>100.0
Profit/(Loss) after tax	1,916	(7,891)	9,807	>100.0

Table 12: Financial Performance for FY2021 and FY2020

Other income

The Group's other income decreased by RM9.7 million or 79.8% from RM12.2 million in FY 2020 to RM2.5 million in FY 2021. The decrease was mainly driven by the one-off gain amounting to RM10.2 million arising from the shortfall of profit guarantee payable by the vendor of TK Rentals. Nevertheless, the Group has recorded a gain on disposal of property, plant and equipment of RM1.4 million in FY 2021 which mainly derived from disposal of properties located at Butterworth and Sabah.

Impairment loss on financial asset

The impairment loss on financial asset decreased by RM1.8 million or 94.7% from RM1.9 million in FY 2020 to RM0.1 million in FY 2021. The decrease was mainly due to higher specific provision of doubtful debt and general provision was recognised in FY 2020 in view of the COVID-19 has affected the financial stability of certain quarry's and event's sector customers. Such impairment loss on financial asset has been reduced in FY 2021 with the tighten credit control and efforts of debt management after assessed the Group's expected credit loss.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by RM1.4 million or 16.3% from RM8.7 million in FY 2020 to RM7.3 million in FY 2021. The decrease was mainly resulted from the reduce in transportation cost from Bintulu, Fertilisers division in line with lower revenue and the restriction in travelling in tandem with the enforcement of MCO.

Other operating expenses

The Group's other operating expenses decreased by RM12.8 million or 99.0% from RM12.9 million in FY 2020 to RM0.1 million in FY 2021. The decrease was mainly due to the one-off impairment of goodwill and inventory written down amounting to RM9.5 million and RM2.6 million respectively incurred in FY 2020.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

Profit after tax

The Group recorded a profit after tax of RM1.9 million for FY 2021 as compared to a loss after tax of RM7.9 million for FY 2020. This is mainly due to lower selling and distribution expenses (by RM1.4 million), impairment loss for inventories (by RM2.4 million) and financial assets (by RM1.8 million). Together with the reversal of tax refund and over provision of RM1.8 million in FY 2021, the Group recorded a significant improvement in profit after tax by RM9.8 million. The income from profit guarantee of RM10.2 million recognised in FY 2020 had been mostly offset by the goodwill impairment of RM9.5 million.

3. FINANCIAL POSITION REVIEW

3.1 Statements of Financial Position

	2021	2020	Variance	
	RM'000	RM'000	RM'000	%
Statements of Financial Position				
Non-current assets	76,733	79,516	(2,783)	(3.5)
Current assets	94,305	98,916	(4,611)	(4.7)
Total assets	**171,038**	**178,432**	**(7,394)**	**(4.1)**
Current liabilities	(37,235)	(72,163)	34,928	48.4
Non-current liabilities	(49,912)	(24,543)	(25,369)	(>100.0)
Total liabilities	**(87,147)**	**(96,706)**	**9,559**	**9.9**
Net Assets ("NA")	**83,891**	**81,726**	**2,165**	**2.6**
Current ratio (times)	2.5	1.4		

Table 13: Financial Position for FY2021 and FY2020

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

Our Group's non-current assets decreased by RM2.8 million or 3.5%, from RM79.5 million as at FY 2020 to RM76.7 million as at FY 2021 mainly due to the decrease in property, plant and equipment. Such decrease in property, plant and equipment was mainly attributable to the depreciation of property, plant and equipment amounted to RM4.8 million. However, the overall decrease in property, plant and equipment was partially offset by the following capital expenditure: -

Capital Expenditure ("Capex")*	Breakdown of Capex
	RM'000
Plant, machinery and equipment	926
Motor vehicles	15
Office equipment, fixtures, furniture and fittings	430
Renovation	6
Total	**1,377**

Table 14: Capital Expenditure for FY 2021

*excluded Right-of-Use Assets

In FY 2021, the Group invested RM0.9 million or equivalent to 67.2% of the total capex to purchase plant, machinery and equipment which include machineries overhaul and temperature control equipment mainly for our Fertilisers and Equipment Rental division respectively. Whereas the remaining 32.8% of the capex were spent for the purchase of motor vehicles, office equipment, fixtures, furniture and fittings, renovation, etc.

Our Group's current assets decreased by RM4.6 million or 4.7%, from RM98.9 million as at FY 2020 to RM94.3 million as at FY 2021 mainly due to the decrease in trade and other receivables by RM7.8 million and RM6.1 million respectively. The decrease in trade receivables was mainly due to lesser sales activities in the last quarter of FY 2021 which was affected by the FMCO that took place from 1 June 2021 onwards. While our other receivables were decreased due to the collection of profit guarantee in FY 2021 in relation to the acquisition of our wholly-owned subsidiary, TK Rentals. The overall decreased has offset against the increased in inventories by RM10.0 million to cater the production need of Fertilisers division.

Our Group's total liabilities decreased by RM9.6 million or 9.9% from RM96.7 million as at FY 2020 to RM87.1 million as FY 2021 mainly attributable by the decrease in trade payables by RM13.1 million. The decrease in trade payables was mainly due to our repayment to suppliers via trade facilities and internal funds. Hence, the decreased in trade payables has offset against the increased in additional banking facilities drawdown for the purpose of stock up inventory level.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

3.2 Statements of Cash Flow

	2021	2020	Variance	
	RM'000	RM'000	RM'000	%
Statements of Cash Flow				
Net cashflow (used in)/from operating activities	(14,213)	6,920	(21,133)	(>100.0)
Net cashflow from/(used in) investing activities	11,132	(2,961)	14,093	>100.0
Net cashflow from financing activities	2,463	79	2,384	>100.0
Net change in cash and cash equivalents ("CCE")	(618)	4,038	(4,656)	(>100.0)
Effect of foreign exchange rate	9	(2)	11	>100.0
CCE at the beginning of the financial year	16,895	12,859	4,036	31.4
CCE at the end of the financial year	**16,286**	**16,895**	**(609)**	**(3.6)**

Table 15: Statements of Cash Flows for FY 2021 and FY 2020

As at FY 2021, our Group recorded a net cash used in operating activities of RM14.2 million as compared to a net cash generated from operating activities of RM6.9 million as at FY 2020. This was mainly attributed to the followings: -

- decrease in payables by RM13.3 million, which indicate our prompt payments to suppliers; and
- increase in inventories by RM10.5 million due to the bulk purchase of raw materials to cater the increasing price of fertilisers.

Our Group has recorded a net cash generated from investing activities of RM11.1 million in FY 2021 as compared to a net cash used in investing activities of RM3.0 million in FY 2020. This was mainly due to the shortfall of profit guarantee received from vendors of TK Rentals amounted to RM10.2 million.

Net cash from financing activities increased by RM2.4 million from RM0.1 million in FY 2020 to RM2.5 million in FY 2021 mainly attributable to the net movement on bankers' acceptance which amounted to RM10.3 million. However, it was partially offset by higher repayment of term loans of RM6.5 million after expired of moratorium granted.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

3.3 Liquidity and capital reserves

We shall have sufficient working capital for our existing and foreseeable requirement after taking into consideration of the following: -

- our improved current ratio of 2.5 times as at FY 2021 as compared to 1.4 times as at FY 2020, which indicated our ability to meet short-term obligations;
- our cash and cash equivalent of approximately of RM16.3 million as at FY 2021;
- our expected future cash flows from operations taking into account the potential impact of COVID-19 and various MCO on our business; and
- our total unutilised banking facilities of RM7.7 million (excluding finance leases) is available to drawdown, if required.

4. OPERATION REVIEW

Fertilisers

The demand for fertiliser in Malaysia is mainly driven by the growth of the agriculture industry, in particular oil palm plantations, rubber plantations and paddy fields, due to the widespread use of fertiliser in these agricultural lands.

Currently, our Group's supplies of compacting, mixing and straight fertilisers for the Sarawak market are mainly manufactured and produced at our Bintulu plant. Our Group had completed the reconstruction of the compacting lines in February 2021 to improve the productivity, efficiency and capacity of the manufacturing lines from 65,000 MT to 75,000 MT per annum.

In view of the anticipated recovery of the agriculture sector after temporary disruptions during the nationwide movement restriction periods, our Group has in FY 2021, acquired the entire equity interest in PK Fert to further expand in fertiliser market to Peninsular Malaysia as also planning to acquire a land in Kuching, Sarawak in order to build another processing plant with 20,000 MT annual capacity.

Heavy Equipment

Our Heavy Equipment division was moderately affected by the COVID-19 pandemic, particularly the first MCO imposed by the Malaysian Government in March 2020 with strict order such as reduction of operating hours and work force had affected the quarry and construction industry. Despite the recent imposition of different phases of domestic containment measures, the impact to our heavy equipment business was not as significant as compared to the first MCO. Currently, the construction and quarry related activities are allowed to operate subject to adherence with certain standard operating procedures.

Notwithstanding, in FY 2021, one of our subsidiary company, Sin Chee Heng Sdn Bhd has received the exclusive distribution right from Robit Group, Finland to distribute its products in Malaysia for five (5) years.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

Equipment Rental

The unprecedented COVID-19 pandemic had also affected the operations of our Group's Equipment Rental business. With the constraint on the movement of people, many organisers had postponed or cancelled the respective events. Nevertheless, TK Rentals has successfully secured and supplied temperature control and ventilation equipment for Tokyo Olympic 2020, an international multi-sport event held in Japan. This has become one of our remarkable millstones for our Group.

In addition, our Group has also ventured into the trading of industrial batteries and related products/peripherals in mid-2020. Our Group plans to expand this business to, amongst others, telecommunication and power supply companies in Malaysia and Southeast Asia. Currently, our Group is supplying industrial batteries, to be used in the power supply and telecommunication industries in Sarawak and Indonesia. Our Group will continue to focus on these markets in the initial phase of our expansion plan. To penetrates into new markets, our Group plans to collaborate with local distributors where our Group would be able to provide better credit terms to the customers (which are primarily the engineering, procurement and construction services provider) as compared to the local distributors.

5. RISK RELATING TO OUR BUSINESS

5.1 Impacts of COVID-19 pandemic

The outbreak of COVID-19 pandemic and the MCO implemented by Malaysian Government as well as the fear of contracting the virus have substantial negative effect on the global and Malaysia economy. Any negative effect on the economies and markets may decrease the demand for our goods and services and have a material adverse effect on Hextar Group.

In addition, the current pandemic outbreaks may affect our ability to carry out business if a spread of such diseases amongst our employees, as well any quarantines affecting our employees or our offices and project sites.

5.2 Dependency on the agriculture industry

Hextar Group is dependent on the agriculture industry since a major contribution of our revenue is generated through the manufacturing and distribution of fertilisers to agriculture industry. Our customers mainly from oil palm industry. Risks to our business could arise if the demand for the palm oil drops, downward fluctuation of Crude Palm Oil (CPO) prices, higher tax rate imposed and adverse bad weather seasons.

5.3 Dependency on the quarry and mining industry

Hextar Group is dependent on the quarry and mining industry since part of our revenue is generated from the supply of heavy machinery and equipment and quarry related products within these industries. Our operations and financial performance will be affected if slowdown in growth of construction sector and infrastructure development and resulted a lower demand on heavy machinery and equipment and quarry related products.

5.4 Exposure to credit risk

Hextar Group's exposure to credit risk arises primarily from trade and other receivables, deposits places with licensed banks for facilities granted to the Group and financial guarantees given to financial institutions for credit facilities granted to subsidiary companies.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

5.5 Foreign currency exchange fluctuation

Hextar Group's financial performance may be affected by fluctuation in foreign currency exchange rates as some of our purchases are transacted in United States Dollar ("USD"), Singapore Dollar ("SGD"), Japanese Yen ("JPY") and Euro Dollar ("EUR"). A depreciation of the Ringgit Malaysia ("RM") against these currencies may affect the cost. In order to minimise the exposure of foreign currency fluctuations, Hextar Group continues to monitor the exposure to foreign currency movement on a regular basis.

6. DIVIDEND POLICY

The Group do not have any formal dividend policy. Distribution of dividends to shareholders in future is our intention. Nevertheless, there are some factors that will impact our Board's decision on dividend pay-out, including financial performance, capital expenditure requirements, general financial condition and any other factors considered relevant to our Board.

However, no dividend was proposed or declared in the FY 2021.

7. FUTURE PROSPECT AND OUTLOOK

FY 2021 posed a challenging year to the Group following the outbreak of COVID-19 pandemic. The countries were imposing various movement restrictions and other measures were imposed to contain the spread of the virus. The measures have impacted the economy, social as well as the well-being of the community throughout the year. However, with the immunisation programme commencing currently in Malaysia, where Malaysia has recently achieved 90% level of fully vaccinated individuals, the economy is expected to recover gradually with industrial and transportation activities getting back on track and operating with full capacities. Furthermore, the Group is constantly undertaking continuous enhancements in production efficiencies, overhead and production cost management as well as expands its product to generate better sales and profitability.

Fertilisers

The demand of fertiliser tends to remain healthy as the average selling prices for Crude Palm Oil ("CPO") have breaking high record, above the level of RM5,000 per tonne. In view of the shortage of foreign workers in oil palm estates, the surging CPO price might not ease in the near term, not to mentioned India had slashed an agriculture cess on CPO price to 7.5% from 20%. Furthermore, the B20 Biodiesel programme for the transportation sector has been recommenced, whereby B20 biodiesel will be available nationwide in 2022. The increasing availability and promotion of the usage of B20 biodiesel for the transportation sector is expected to drive oil palm plantation activities in Malaysia.

With the support of surging in CPO price, our customers will have better profit margin and purchase power to increase the application of fertilisers. Barring any unforeseen circumstances, our strategy to expand the core fertiliser business beyond the primary market in Sarawak should be augur well for the long-term prospect of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

Heavy Equipment

The heavy equipment industry was weighed down by the COVID-19 pandemic whereby the quarry, mining and construction activities were adversely affected due to several disruptions arising from Government's restrictions order in the country.

Nevertheless, the Government continued their commitments on completing several critical development projects, among others, LRT 3, Mass Rapid Transit Line 2 (MRT 2), ECRL, Pan Borneo Highway, Germas-Johor Bahru which brings great news for the construction industry. Furthermore, at this moment, the Government has also continued to introduced several initiatives to stimulate the property market. These will drive the growth of mining and quarrying activities and definitely help increase the demand for heavy machinery and equipment. As construction activities slowly bounced back from the adverse effect during COVID-19 pandemic period, the demand of heavy machinery and equipment will steadily increase due to positive correlation between both industries. Hence, we believe the demand for heavy equipment will slowly recover as Malaysian economy recover over time.

Equipment Rental

Under the Equipment Rental division, our Group is mainly involved in the provision of temporary cooling solution and equipment for the event and non-event sector. Event sector was affected due to restrictions orders imposed by the Government, especially on large-scale events and gathering, resulted in temporary postponement and/or cancellation of events.

To replace the source of income for equipment rental segment, in the last financial year, the Company had broadened the business segment to be an authorised distributor of industrial batteries for storage of renewable energy, focusing on various rural areas, data centres and telecommunications companies that required uninterrupted power supply. In the current year under review, the distribution of industrial batteries has contributed substantial growth under equipment rental segment.

In addition, our rental to non-event sector such as forklift has seen improvement on the demand. In line with the emerging market of warehousing and logistics due to booming of online marketplace, the demand of forklift gradually grows and hence, we believe our rental of forklift sector will eventually increase over time.

Notwithstanding that the world faced challenges in the rise of cases poised by the new COVID-19 variants, in the longer term when the impact of the COVID-19 subsides, the event industry is expected to gradually recover as more people become comfortable to attend these events and more international speakers, performers and artistes are able to travel to Malaysia.

Ang Sui Aik
Group Managing Director

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Hextar Industries Berhad (formerly known as SCH Group Berhad ("the Company" or "HIB") remains committed in maintaining the highest standards of corporate governance ("CG") within the Company and adhering to the principles and best practices of CG, through observing and practicing the core values of the new Malaysian Code on Corporate Governance 2017 ("MCCG") and the Corporate Governance Guide issued by Bursa Malaysia Securities Berhad ("Bursa Securities"). The commitment from the top paves the way for the Management and all employees to ensure the Company's businesses and affairs are effectively managed in the best interest of all stakeholders.

The Board is pleased to present an overview statement on the application of the principles as set out in the MCCG and the extent to which the Company and the subsidiaries ("Group") have complied with the three (3) key principles and practices of the MCCG during the financial year ended 31 August 2021 and up to the date of this overview statement. This overview statement is made pursuant to Rule 15.25 of ACE Market Listing Requirements of Bursa Securities ("Listing Requirements") with guidance drawn from Guidance Note 11 of Listing Requirement.

The detailed application for each Practice as set out in the MCCG is disclosed in the Corporate Governance Report ("CG Report") which is available on the corporate website: www.hextarindustries.com and through an announcement on the website of Bursa Securities.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Part I - Board Responsibilities

1. Board's Leadership on Objectives and Goals

1.1 Strategic Aims, Values and Standards

The Board of Directors ("Board" or "Directors") are responsible for overseeing and managing the overall performance of the Group and focuses mainly on the strategic management, performance monitoring and measurement, risk management and internal controls, standards of conduct, shareholder communication and critical business decisions. The matters reserved for the collective decision of the Board is also listed in the Board Charter which is available on the corporate website at www.hextarindustries.com.

The Board implements a strategy planning process to oversee the matters delegated to Management and ensure the goals and targets are in line with the Company's strategic plan and long-term objectives. The key responsibilities of the Board include reviewing and adopting the strategic plan, overseeing the conduct of business, risk management, succession planning, overseeing the development and implementation of a shareholder communication policy and reviewing the internal control systems.

The Board delegates and confers some of the Board's authorities and discretion to the Executive/ Managing Director and also to the Board Committees which comprising Non-Executive Directors that operate within clearly defined terms and reference. The Board Committees consist of Audit Committee ("AC"), Nomination Committee ("NC"), Remuneration Committee ("RC") and the Risk Management Committee ("RMC").

The power delegated to the Board Committees are set out in the Terms of Reference of each of the committees which is available on the corporate website at www.hextarindustries.com. Overall, it is the governance responsibilities of the Board to lead and control the Group. The Board plans the strategic direction, development and control of the Group and has embraced the responsibilities listed in the MCCG to discharge its stewardship and fiduciary responsibilities. The Executive/Managing Director are responsible for making and implementing operational and corporate decisions while the Non-Executive Directors balance the Board accountability by providing their independent views, advice and judgment in safeguarding the interests of the shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part I - Board Responsibilities *(cont'd)*

1. Board's Leadership on Objectives and Goals *(cont'd)*

1.2 The Chairman of the Board

The Board is chaired by an Independent Non-Executive Chairman and is responsible to ensure the Board decisions taken are in the Company's best interests and fairly reflect the Board's consensus. The Chairman being an Independent Non-Executive Chairman, is not involved in the day-to-day management of the Group's business and has no relationship that could materially interfere with his judgement. He chairs the meetings of the Board and the shareholders, and thus ensuring effective communication with the shareholders and relevant stakeholders.

1.3 Separation of the positions of the Chairman and Group Managing Director

There is a clear separation of duties and responsibilities of the Chairman and Group Managing Director to ensure a balance of power and authority so that no one individual has unfettered powers of decision making. The difference in the roles of the Chairman and Group Managing Director provides a clear segregation of responsibility and accountability. These are enshrined in the Board Charter, which has been reviewed and updated to be in line with the practices of MCCG and the Companies Act, 2016 ("the Act") which is made available in the Company's website at www.hextarindustries.com.

The Chairman is not related to the Group Managing Director, and is responsible for leading the Board to oversee and supervise the Group's management; whilst the Group Managing Director is responsible for the day-to-day operations of the Group, making strategic business decisions and implement the Board's policies and decisions. There is a clear separation of powers between the Chairman, who is an independent director and the Group Managing Director, and this further enhances the independence of the Board.

The Board therefore believe that balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objectively.

1.4 Qualified and Competent Company Secretaries

In compliance with MCCG, the Board is supported by qualified and competent Company Secretaries. The Company Secretaries of the Company are qualified to act as Company Secretary under Section 235 of the Companies Act, 2016 ("the Act").

The Company Secretaries attend all Board and all Board Committees meetings and ensures that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed were recorded and maintained in the statutory register. The Company Secretaries also keeps abreast of the evolving capital market environment, regulatory changes and developments in Corporate Governance through continuous training, and updates the Board regularly on the latest regulatory updates.

The Board has ready and unrestricted access to the advice and services of the Company Secretaries, who are considered capable of carrying out the duties to which the post entails.

The Board recognises that the Company Secretaries are suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretaries in discharge of their functions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part I - Board Responsibilities *(cont'd)*

1. Board's Leadership on Objectives and Goals *(cont'd)*

1.5 Access to information and advice

Agendas and discussion papers are circulated at least seven (7) days prior to the Board and Board Committees meetings to allow the Directors and Board Committee Members to study, evaluate the matters to be discussed and subsequently make effective decisions. Procedures have been established concerning the content, presentation and timely delivery of the discussion papers for each meeting of the Board and Board Committee meetings as well as matters arising from such meetings. Actions or updates on all matters arising from any meetings are reported in the subsequent meetings.

Notices on the closed periods for trading in the Company's securities in accordance with Chapter 14 of the Listing Requirments of Bursa Securities are served to the Directors prior to the commencement of the closed periods.

In between Board meetings, approvals on matters requiring the sanction of the Board are sought by way of Directors' circular resolutions enclosing all the relevant information to enable the Board to make informed decisions. All Directors' circular resolutions approved by the Board are tabled for notation at the subsequent Board meeting. The Board also perused the decisions deliberated by the Board Committees through minutes of these Board Committees meetings. The Chairman of the respective Board Committees is responsible for informing the Board at the Directors' Meetings of any salient matters noted by the Board Committees and which may require the Board's direction.

When necessary, the Board may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated, subject to approval by the Chairman of the Board, and depending on the quantum of the fees involved.

2. Demarcation of Responsibilities

2.1 Board Charter

The Board Charter is reviewed regularly to ensure that it complies with the best practices and regulations and the Board Charter was last reviewed on 19 December 2019 and no amendment is required.

In discharging its duties, the Board is constantly mindful of the need to safeguard the interests of the Group's stakeholders. In order to facilitate the effective discharge of its duties, the Board is guided by the Board Charter, a copy of which is available on the Company's website at www.hextarindustries.com.

The Board Charter serves to ensure that all Board members acting on behalf of the Group are aware of their expanding roles and responsibilities. It sets out the strategic intents and specific responsibilities to be discharged by the Board members collectively and individually. It also regulates on how the Board conducts business in accordance with sound Corporate Governance ("CG") principles.

The Board Charter will be reviewed when necessary and updated in accordance with the needs of the Company and any new regulations that may have impact on the discharge of the Board's responsibilities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part I - Board Responsibilities *(cont'd)*

3. Good Business Conduct and Corporate Culture

3.1 Code of Conduct and Ethics

The Board is committed in maintaining a corporate culture which engenders ethical conduct through its Code of Conduct and Ethics, which summarises what the Company must endeavour to do proactively to increase corporate value, and which describes the areas in daily activities that require caution to minimise any risks that may occur.

The Code of Conduct and Ethics provides guidance for Directors and every employee of the Group regarding ethical and behavioural considerations and/or actions as they address their duties and obligations during the appointment.

The Board will review the Code of Conduct and Ethics when necessary to ensure it remains relevant and appropriate. A copy of the Code of Conduct and Ethics is available at the Company's website at www.hextarindustries.com.

3.2 Whistle-blowing Policy and Procedures

The Board has adopted a Whistle-blowing policy for the Group as a measure to promote the highest standard of corporate governance. The Whistle-blowing policy outlines the avenues for Directors, employees and stakeholders to raise concerns or disclose in good faith any improper conduct within the Group and to enable prompt corrective actions and measures to resolve them effectively.

Any employee or stakeholders who have reasonable belief that there is serious malpractice relating to the matter disclosed, may direct such complaint and report to the Chairman of the AC in writing. Individuals are able to raise concerns about illegal, unethical or questionable practices in confidence and without the risk of reprisal and Management will ensure that any employee of the Company who raises a genuine complaint in good faith shall not be penalised for such disclosure and the identity of such complainant shall be kept confidential.

The details of the Whistle-blowing Policy are available for reference at the Company's website at www.hextarindustries.com.

3.3 Anti-Bribery and Corruption Policy ("ABC Policy")

In line with the amendments to the Malaysian Anti-Corruption Commission Act 2009 to incorporate a new Section 17A on corporate liability for corruption which took effect on 1 June 2020, the Company had on 1 June 2020, adopted an ABC Policy. The management had attended training and the Company had also conducted briefings to all employees to create awareness on the ABC Policy to foster commitment of the employees to instill the spirit of integrity and avoid all forms of corruption practices within the organisation. A copy of the ABC Policy is available on the corporate website at www.hextarindustries.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part II - Board Composition

4. Board's objectivity

4.1 Composition of the Board

The Board presently comprised seven (7) members as follows:-

Names	Designation
Dato' Chan Choun Sien	Independent Non-Executive Chairman
Ang Sui Aik, Benny *(appointed w.e.f. 01.01.2021)*	Group Managing Director
Wong Kin Seng	Executive Director
Sim Yee Fuan	Independent Non-Executive Director
Dato Sri Chee Hong Leong *(appointed w.e.f. 10.05.2021)*	Independent Non-Executive Director
Dato' Ong Choo Meng	Non-Independent Non-Executive Director
Ong Tzu Chuen	Non-Independent Non-Executive Director

Table 16: Composition of the Board

Brief profile of each Directors are detailed under Profile of Directors in this Annual Report.

The current Board consists of individuals of high calibre, experienced and are professionals in their respective fields. Together, this brings a wide range of industry specific knowledge, broad based business and commercial experience that are vital to the Board's success.

The present composition of the Board is in compliance with Rule 15.02 of the Listing Requirements and MCCG whereby at least 2 directors or 1/3 of the Board of directors of a the Company, whichever is the higher, are independent directors.

4.2 Re-election of Directors

The procedure on the re-election of directors by rotation is set out in the Company's Constitution. All Directors who are appointed by the Board during the year are subject to re-election by shareholders at the first Annual General Meeting ("AGM") after their appointment. The Constitution provides at least one-third (1/3) of the remaining Directors are subject to re-election by rotation at each AGM and retiring directors may offer themselves for re-election. All Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election.

4.3 Tenure of Independent Directors

As at the date of this statement, none of the independent directors have served the Company for a cumulative period exceeding nine (9) years. However, Mr Sim Yee Fuan, the Independent Non-Executive Director ("INED") will reach the nine (9) year term limit on 13 March 2022. The Board shall seek shareholders' approval for his retention as the INED of the Company at this forthcoming 10th AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part II - Board Composition *(cont'd)*

4. Board's objectivity *(cont'd)*

4.4 Policy of Tenure of Independent Director

The Company's Board Charter provides a limit of a cumulative term of nine (9) years on the tenure of an INED. Upon completion of nine (9) years, an INED may continue to serve on the Board subject to the directors' re-designation as a Non-Independent Non-Executive Director. In the event, the Board intends to retain the INED who has served the Company exceeding a cumulative term of nine (9) years, it must justify and seek annual shareholders' approval.

4.5 Diverse Board and Senior Management Team

Appointment of Board and Senior Management are based on objective criteria, merit and besides gender diversity, due regard are placed for diversity in skills, experience, age and cultural background.

4.6 Gender Diversity

The Board acknowledges the importance of boardroom diversity and takes cognisance of the recommendation of the MCCG to have female directors. The Board had established a Boardroom Diversity Policy as set out in the Board Charter of the Company is available on the corporate website.

One (1) out of the seven (7) Directors is a female, which testifies to the Company's commitment on gender diversity.

Whilst acknowledging the recommendation of the MCCG on gender diversity, the Board believes that the evaluation of suitability of candidates should be based on the candidates' competency, character, time availability, integrity and experience in meeting the Company's needs. The Board constantly advocates fair and equal participation and opportunity for all individuals of the right calibre without any specific discrimination as to the age, ethnicity or gender of the candidates concerned.

The NC and the Board will consider gender diversity as part of its future selection process and will look into increasing female Board representation going forward.

4.7 New Candidates for Board Appointment

The Board believes that individuals who are nominated to be a Director should have demonstrated notable or significant achievements in business, education or public service; should possess the requisite intelligence, education and experience to make a significant contribution to the Board and bring a range of skills, diverse perspectives and backgrounds to its deliberations and should have the highest ethical standards, a strong sense of professionalism and intense dedication to serve the interests of the shareholders. In identifying candidates for appointment to the Board, the Board may rely on recommendations from existing Board members, major shareholders, the Management or independent sources.

The Board shall have power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, which is consistent with Constitution of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the NC. The NC will then recommend the candidates to be approved and appointed by the Board. The Company Secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part II - Board Composition *(cont'd)*

4. Board's objectivity *(cont'd)*

4.8 Nomination Committee

The Board has established a NC which comprised exclusively of INED, with the responsibilities of assessing the balance composition of Board members, nominate the proposed Board member by considering his skills and expertise for contribution to the Company on an ongoing basis.

The Terms of Reference of the NC can be viewed at the Company's website at www.hextarindustries.com.

The present members of the NC of the Company are:

Names	Designation
Dato Sri Chee Hong Leong (Chairman) *(appointed w.e.f. 10.05.2021)*	Independent Non-Executive Director
Dato' Chan Choun Sien (member)	Independent Non-Executive Chairman
Sim Yee Fuan (member)	Independent Non-Executive Director

Table 17: Members of Nomination Committee

The functions of the NC are summarised as follows:

(i) to undertake an annual review of the Board's succession plans, taking into consideration, the present size, structure and composition of the Board and Board Committees as well as the required mix of skills, experience and competency required and make recommendations to the Board with regard to any adjustments that are deemed necessary;

(ii) to facilitate the evaluation on the effectiveness of the Board as a whole, the various Committees and each individual Director's contribution to the effectiveness on the decision making process of the Board;

(iii) to consider succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the Board in the future;

(iv) responsible for identifying and make the recommendation to the Board on new candidates for election/appointment to the Board or to fill Board vacancies as and when they arise;

(v) to ensure that orientation and education programmes are provided for new members of the Board;

(vi) to recommend to the Board concerning the re-election/re-appointment of Director to the Board pursuant to the provisions in the Company's Constitution;

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part II - Board Composition *(cont'd)*

4. Board's objectivity *(cont'd)*

4.8 Nomination Committee *(cont'd)*

The functions of the NC are summarised as follows: *(cont'd)*

(vii) to undertake an annual review of the training programmes attended by the Directors for each financial year as well as the training programmes required to aid the Directors in the discharge of their duties as Directors and to keep abreast with industry developments and trends; and

(viii) to provide a report summarising its activities for the year in compliance with the MCCG, Listing Requirements and any relevant regulations. The report can be incorporated into the corporate governance statement in the annual report or included in as a separate report.

The summary of activities undertaken by the NC during the financial year included the following:

(i) reviewed the size and composition of the Board and made recommendation to the Board as regards any changes that may, in their view, be beneficial to the Company and Group;
(ii) reviewed and assessed the independence of INED;
(iii) reviewed the effectiveness of the Board as a whole, committees of the Board and the contribution of individual directors;
(iv) reviewed and recommended to the Board directors who are retiring by rotation to be put forward for re-election; and
(v) reviewed and recommended the appointment of Group Chief Executive Officer.

5. Overall Board Effectiveness

5.1 Annual Evaluation of Effectiveness of the Board, Board Committees and Directors

For financial year ended 31 August 2021, an annual self-assessment of the Board, its Committees and contribution of each individual Director is carried out by the NC, with the assistance of the Company Secretaries, taking the form of comprehensive evaluation questionnaires which provide all Directors with an opportunity to score their opinion on a series of questions in relation to inter alia the execution and performance of the Board as a whole and the Board Committees, and to comment on procedures or any relevant matters.

The evaluation of the Board covers factors such as mix and composition of the Board, quality of decision making, timeliness of Board papers, internal controls, conduct of Board meetings, interactions with the Management and stakeholders and effectiveness of the Chairman.

The Board Committees are assessed based on efficiency and effectiveness of each Committee and its members' continuous contribution to the Board and commitment to their roles and responsibilities in discharging their duties. Likewise, the NC is able to assess the contribution of each individual Director to the effectiveness of the Board.

The completed evaluation forms were submitted to Company Secretaries for collation and consolidated responses were presented to the NC for review before being shared with the Board for discussion and are taken into accounts when the NC assesses the Board effectiveness.

The Board also assesses the independence of the Independent Directors annually, taking into account the individual Director's ability to exercise its independent judgement at all times and to contribute to the effective functioning of the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part II - Board Composition *(cont'd)*

5. Overall Board Effectiveness *(cont'd)*

5.1 Annual Evaluation of Effectiveness of the Board, Board Committees and Directors *(cont'd)*

Based on the assessment carried out during the financial year under review, the Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company and that each of them continues to fulfill the definition of independence as set out in the Listing Requirement.

5.2 Board Commitment

5.2.1 Time Commitment and Directorship in Other Public Listed Companies

Under the Board Charter, the directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed any number as may be prescribed by the relevant authorities. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his responsibilities. Directors are required to notify the Chairman before accepting any new directorship(s). The notification would include an indication of the time that will be spent on the new appointment(s). Any Director is, while holding office, at liberty to accept other Board appointments in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. To ensure the Directors have the time to focus and fulfill their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five (5) public listed companies as prescribed in Rule 15.06 of the Listing Requirements.

Each Board member is expected to achieve at least 50% attendance of total Board Meetings in any applicable financial year with appropriate leave of absence to be notified to the Chairman and/or Company Secretaries, where applicable.

The Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. The Board is satisfied with the level of time and commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out in the section below.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part II - Board Composition *(cont'd)*

5. Overall Board Effectiveness *(cont'd)*

5.2 Board Commitment *(cont'd)*

5.2.2 Board Meetings and Attendance

During the financial year ended 31 August 2021, the Board conducted five (5) Board meetings and each Board member fulfilled the required attendance of Board meetings as required under Rule 15.05 of Listing Requirement. The summary of attendance at the Board meetings is as follows:

Name of Directors	Meeting Attendance	Percentage of Attendance
Dato' Chan Choun Sien	5/5	100%
Ang Sui Aik, Benny *(appointed w.e.f. 01.01.2021)*	3/3	100%
Wong Kin Seng	5/5	100%
Dato' Ong Choo Meng	5/5	100%
Ong Tzu Chuen	5/5	100%
Sim Yee Fuan	5/5	100%
Dato Sri Chee Hong Leong *(appointed w.e.f. 10.05.2021)*	1/1	100%

Table 18: Meeting Attendance of Board Members

The Board meets on a quarterly basis, with amongst others, review the operations, financial performance, reports from the various Board Committees and other significant matters of the Group. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings may be convened by the Company Secretaries, after consultation with the Chairman.

The Board meetings were held to review and deliberate on the key activities and strategy of the Group, such as financial performance and to endorse the release of the quarterly financial results. All Board and Board Committees' meetings for financial year ended 31 August 2021 have been scheduled well in advance in consultation with the Directors to ensure maximum attendance. In addition to holding meetings, important matters regarding the Group are also put to the Board for decision making by way of circular resolutions. The resolutions passed by way of such circular resolutions are then noted in the next Board Meeting.

As a mean to facilitate Directors' planning and time management, an annual meeting calendar is prepared and given to Directors before the beginning of each new financial year.

5.2.3 Continuing Education Programmes

All Directors appointed to the Board have undergone the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Securities. Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, the Directors are encouraged to attend continuous education programmes/seminars/conferences and shall as such receive further training from time to time to keep themselves abreast of the latest development in statutory laws, regulations and best practices, where appropriate, in line with the changing business environment and enhance their business acumen and professionalism in discharging their duties to the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part II - Board Composition *(cont'd)*

5. Overall Board Effectiveness *(cont'd)*

5.2 Board Commitment *(cont'd)*

5.2.3 Continuing Education Programmes *(cont'd)*

The Board has undertaken an assessment of the training needs of each Director and ensured that all the Directors undergo the necessary training programme to enable them to effectively discharge their duties.

Details of seminars/conferences/training programmes attended by the Board members during the financial year as listed below:

Name of Director	Seminars/Conferences/Training Programmes Attended
Dato' Chan Choun Sien	• Malaysian Productivity Corporation, "National E&E Forum 2020" • Transformational Business Network & Beneficial Returns, "Investing Courageously: An Impact Investing Workshop" • Affin Hwang Asset Management Berhad, "Market Outlook 2021: Pathway to Recovery" • Malaysia-Japan Economic Association,"46th ASEAN-Japan Business Meeting" • UBS Healthcare Summit 2021 • Affin Hwang Asset Management Berhad, "Review & Outloook" • KPMG, "Building back better: A board's-eye view" • CIMB Alumni, "Let's Catch Up with Malaysia's Finance Minister" • CPA Australia, "Case study of an SME utilising multiple funding options" • MDEC, "Venture Capital to Bridge Your Growth Gap"
Ang Sui Aik, Benny *(appointed w.e.f. 01.01.2021)*	• Mandatory Accreditation Programme
Wong Kin Seng	• Corruption Risk Management Programme
Dato' Ong Choo Meng	• Tax Budget 2021: A Budget for the New Normal
Sim Yee Fuan	• Sustainability Reporting Workshops : Scope & Materiality in Sustainability Reporting (26 April 2021) by Bursa Malaysia • Market Outlook and Business Solutions (1 April 2021) by Hong Leong Bank • Powering Your Business with Sustainable Energy in Malaysia (8 December 2020) by OCBC Bank • 8th Asian-Korea Engineering Forum & RTM 2020 (4 December 2020)
Dato Sri Chee Hong Leong *(appointed w.e.f. 10.05.2021)*	• Implementing ESG Practices in the Organisation

Table 19: Training Programmes attended by Board Members

Saved as disclosed above, other Directors of the Company were not able to select any suitable training programmes to attend during the financial year due to their busy work schedule. However, they have constantly been updated with relevant reading materials and technical updates, which will enhance their knowledge and equip them with the necessary skills to effectively discharge their duties as Directors of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part II - Board Composition *(cont'd)*

5. Overall Board Effectiveness *(cont'd)*

5.2 Board Commitment *(cont'd)*

5.2.3 Continuing Education Programmes *(cont'd)*

In addition, the Board would be updated on recent developments in the areas of statutory and regulatory requirements from the briefing by the External Auditors, the Internal Auditors and the Company Secretaries during the Committee and/or Board meetings and suitable training and education programmes were identified for their participation from time to time.

The Board will on continuing basis evaluate and determine the training needs of each Director, particularly on relevant new law and regulations and essential practices for effective corporate governance and risk management to enable the Directors to effectively discharge their duties.

Part III - Remuneration

6. Level and Composition of Remuneration

6.1 Remuneration Policies and Procedures

The objective of the Company's Remuneration Policy is to attract and retain the Directors required to lead and control the Group effectively. In the case of the Executive Director, the components of the remuneration package are linked to individual and corporate performance. As for Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities and the onerous challenges in discharging their fiduciary duties.

The Remuneration Committee met once in financial year ended 31 August 2021 to consider the remuneration package for the Executive Director as well as Directors' fees and benefits payable for the Non-Executive Directors.

The Directors' fees and benefits payable to the Non-Executive Directors are reviewed annually. The Executive Directors played no part in deciding their own remuneration and the respective Board members abstained from all discussion and decisions pertaining to their remuneration.

6.2 Remuneration Committee

The Remuneration Committee ("RC") is populated solely by INEDs in order to assist the Board for determining the Director's remuneration.

The Terms of Reference of the RC can be viewed at the Company's website at www.hextarindustries.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part III - Remuneration *(cont'd)*

6. Level and Composition of Remuneration *(cont'd)*

6.2 Remuneration Committee *(cont'd)*

The present members of the RC are as follow:

Names	Designation
Dato' Chan Choun Sien (Chairman)	Independent Non-Executive Chairman
Sim Yee Fuan (member)	Independent Non-Executive Director
Dato Sri Chee Hong Leong (member) *(appointed w.e.f. 10.05.2021)*	Independent Non-Executive Director

Table 20: Members of Remuneration Committee

The functions of the RC are summarised as following:

(i) to review and recommend to the Board the framework of remuneration of the Executive Directors and Principal Officers;

(ii) to review and determine the annual salary increment, performance bonus, and short term/long term incentives (including share grant and bonus) for Executive Directors and Principal Officers depending on various performance measurements of the Group;

(iii) to review and determine the other benefits in kind for the Executive Directors and Principal Officers;

(iv) to review the Group's compensation policy and ensure alignment of compensation to corporate performance, and compensation offered in line with market practice;

(v) to review and recommend the remuneration for Non-Executive Directors taking into consideration the fee levels and trends for similar positions in the market, time commitment required from the director and any additional responsibilities undertaken by the particular Non-Executive Directors concerned; and

(vi) to recommend the engagement of external professional advisors to assist and/or advise the Committee and the Board, on remuneration matters, where necessary.

In financial year ended 31 August 2021, the RC reviewed and recommended the payment of Directors' fees and other benefits payable to Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part III - Remuneration *(cont'd)*

7. Remuneration of Directors

7.1 Details of Directors' Remuneration

Details of the Directors' remuneration (including benefits-in-kind) in respect of the financial year ended 31 August 2021 as follows:-

Directors	Fees	Salaries and * other emoluments	Total
	(RM)	(RM)	(RM)
Dato' Chan Choun Sien	42,000	3,500	45,500
Ang Sui Aik, Benny *(appointed w.e.f. 01.01.2021)*	-	307,615	307,615
Wong Kin Seng	-	469,310	469,310
Dato' Ong Choo Meng	30,000	3,500	33,500
Ong Tzu Chuen	30,000	3,500	33,500
Sim Yee Fuan	30,000	3,500	33,500
Gan Khong Aik *(resigned w.e.f. 10.05.2021)*	20,806	2,500	23,306
Dato Sri Chee Hong Leong *(appointed w.e.f. 10.05.2021)*	9,274	500	9,774
De Souza Michael Lawrence *(resigned w.e.f. 31.12.2020)*	-	1,000	1,000

Table 21: Details of Directors' Remuneration

Note:

* *Other emoluments include the meeting allowance for the Directors' attendance in Board and Board's Committee Meetings.*

7.2 Remuneration of Top Five Senior Management

The total remuneration received by senior management of the Group including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000, in respect of the financial year ended 31 August 2021, is tabulated below:

Range of Remuneration	Number of Senior Management
Below RM50,000	-
RM50,001 – RM100,000	-
RM100,001 – RM150,000	-
RM150,001 – RM200,000	1
RM200,001 – RM250,000	4
RM250,001 – RM300,000	-
RM300,001 – RM350,000	-
Above RM350,001	-

Table 22: Remuneration Range of Top 5 Senior Management

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

Part III - Remuneration *(cont'd)*

7. Remuneration of Directors *(cont'd)*

7.2 Remuneration of Top Five Senior Management *(cont'd)*

Details of total remuneration received by the senior management are not disclosed in this report as the Board is of the view that the above remuneration disclosure by band satisfies the accountability and transparency aspects of the MCCG.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I - Audit Committee

8.1 Chairman of Audit Committee ("AC")

The AC is chaired by an Independent Director who is not the Chairman of the Board, therefore observed the recommendation of Practice 8.1 of MCCG which stipulates that the Chairman of the AC shall not be the Chairman of the Board. The Chairman of AC is a member of Malaysian Institute of Accountants.

8.2 Policy requiring former key audit partner to observe 2-year cooling off period

None of the members of the Board were former key audit partners. Therefore, no former key audit partner is appointed to the AC. The AC has adopted a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC, and the said policy has been incorporated in the terms of reference of the AC, a copy which is available on the corporate website.

The Board will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the AC is a former key audit partner.

8.3 Assessment of Suitability and Independence of External Auditors

The Company has established a transparent and appropriate relationship with the Company's External Auditors. The Auditors will highlight to the AC and the Board on matters that require the Board's attention.

The AC is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The AC has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the AC prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the AC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *(cont'd)*

Part I - Audit Committee *(cont'd)*

8.3 Assessment of Suitability and Independence of External Auditors *(cont'd)*

To assess or determine the suitability and independence of the External Auditors, the AC has taken into consideration of the following:

(i) the adequacy of the experience and resources of the External Auditors;

(ii) the External Auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;

(iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and

(iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.

Annual appointment or re-appointment of the External Auditors is via shareholders' resolution at the AGM on the recommendation of the Board. The External Auditors are invited to attend the AGM of the Company to respond to any enquiry on the conduct of the statutory audit and the preparation and contents of the audited financial statement.

Where necessary, the AC will meet with the External Auditors without the presence of Executive Director and members of management to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concerns expressed by the AC are duly recorded by the Company Secretaries.

In presenting the Audit Planning Memorandum to the AC, the External Auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which include safeguards and procedures and independent policy adopted by them. The External Auditors have also provided the required independence declaration to the AC and the Board for the financial year ended 31 August 2021.

The AC is satisfied with the competence and independence of the External Auditors. Having regard to the outcome of the annual assessment of the External Auditors, the Board approved the AC's recommendation to seek shareholders' approval on the re-appointment of Messrs Ecovis Malaysia PLT as the External Auditors of the Company for the financial year ending 31 August 2022.

8.4 Composition of the AC

The AC comprised solely of INEDs. The present members of the AC are:

Names	Designation
Sim Yee Fuan (Chairman)	Independent Non-Executive Director
Dato' Chan Choun Sien (member)	Independent Non-Executive Chairman
Dato Sri Chee Hong Leong (member) *(appointed w.e.f. 10.05.2021)*	Independent Non-Executive Director

Table 23: Members of Audit Committee

The terms of reference and summary of activities of the AC are set out in the Audit Committee Report of this Annual Report 2021.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *(cont'd)*

Part II - Risk Management and Internal Control Framework

9. Effective Risk Management and Internal Control Framework

The Board oversees, reviews and monitors the operation, adequacy and effectiveness of the Group's system of internal controls. The Board defines the level of risk appetite, approves and oversees the operation of the Group's Risk Management Framework, and assesses its effectiveness and reviews any major/significant risk facing the Group. The risk framework also includes pertinent risk management policies and guidelines to provide structured guidance to personnel across the Group in addressing risk management. The risk appetite of the Group is articulated via the use of risk parameters in the framework, covering financial and non-financial metrics, to assess the likelihood or risks occurring and the impact thereof should the risks crystallise.

The RMC oversees the risk management framework of the Group, reviews the risk assessment and management policies formulated by Management regularly together with the Internal Auditors and makes relevant recommendations to Management to update the Group Risk Profile. The RMC also discusses with the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation, and makes relevant recommendations to the Board to manage residual risks.

The Board has been integrating the risk issues into their decision making process whilst maintaining the flexibility to lead the business of the Group through the ever-changing internal and external environments.

The RMC comprises the following three (3) members:

Name	Designation
Dato Sri Chee Hong Leong (Chairman) *(appointed w.e.f. 10.05.2021)*	Independent Non-Executive Director
Dato' Chan Choun Sien	Independent Non-Executive Chairman
Wong Kin Seng	Executive Director

Table 24: Members of Risk Management Committee

The information on the Group's internal control is further elaborated in the Statement on Risk Management and Internal Control set out in this Annual Report.

10. Internal Audit Function

The Board has engaged a professional service provider to assume the Internal Audit Function of the Group. The Internal Auditors conduct regular audit reviews and assess the effectiveness and adequacy of the governance, risk management and internal controls in the Group. These reviews are reported to the AC directly by the Internal Auditors.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Part I - Communication with Stakeholders

11. Continuous Communication between Company and Stakeholders

11.1 Effective and transparent and regular communication with stakeholders

The Group recognises the value of transparent, consistent and coherent communications with the investment community consistent with commercial confidentiality and regulatory considerations. The Group aims to build long-term relationships with shareholders and potential investors through appropriate channels for disclosure of information.

The annual reports, press releases, quarterly results and any announcements on material corporate exercises are the primary modes of disseminating information on the Group's business activities and financial performance.

Investors are provided with sufficient business, operational and financial information on the Group to enable them to make informed investment decisions. Besides, the Company's Annual Report and financial results are dispatched on an annual basis to the shareholders to provide an overview of the Group's business activities and performances. The Share Registrar is available to attend to administrative matters relating to shareholders' interests.

All announcements are reviewed and endorsed by the Board prior to release to the public through Bursa Securities. In addition, all financial related announcements are submitted to the AC and Board for approval before released it to the public.

In order to maintain its commitment to effective communication with shareholders, the Group embraces the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as the general investing public. The Company strives to provide a high level of transparency reporting in order to provide value for users.

11.2 Leverage on Information Technology for Effective Dissemination of Information

The Company's website at www.hextarindustries.com incorporates an Investor Relations section which provides all relevant information of the Company accessible to the public. This section enhances the investor relations function by including all the corporate information and profile of the Group business activities, financial information, stock information, annual report, quarterly reports, company announcements, corporate governance including the Board Charter, Code of Conduct and Ethics for Directors and terms of reference of Board Committees.

The quarterly financial results are announced to Bursa Securities after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

Shareholders and investors may also forward their queries to the Company via email to finance.hexind@hextar.com.

11.3 Dialogue with Shareholders

In addition to the dissemination of information to shareholders and other interested parties via announcements to Bursa Securities, its website, circulars and press releases, the Board in views that the annual and any extraordinary general meetings as ideal opportunities to communicate with shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
cont'd

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *(cont'd)*

Part I - Communication with Stakeholders *(cont'd)*

11. Continuous Communication between Company and Stakeholders *(cont'd)*

11.3 Dialogue with Shareholders *(cont'd)*

The Chairman or the Executive Director of the Company will brief shareholders on the Company's projects and elaborate further on proposals for which the approval of shareholders is being sought at the general meeting.

Whilst the Company aims to provide as much information as possible to its shareholders, it is also mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

Part II - Conduct of General Meetings

12.1 Shareholder Participation at General Meeting

The AGM is the principal forum for dialogue with the shareholders, allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification.

The Annual Report together with the Notice of AGM is sent to registered shareholders at least twenty-eight (28) days before the meeting. The Notice of AGM, which sets out the business to be transacted at the AGM, is also published in a major local newspaper. Where special business items appear in the Notice of AGM, an explanatory note will be included as a footnote to enlighten shareholders on the significance and impact when shareholders deliberate on a resolution.

At the AGM, shareholders are encouraged to participate, speak, vote and to demand a poll vote. Shareholders are given the opportunity to seek clarification on any matters pertaining to the business activities and financial performance of the Group. Shareholders are also encouraged to make their views known to the Board and to raise directly any matters of concern.

Members of the Board as well as management are present to answer questions raised at these meetings. Apart from contacts at general meetings, currently there is no other formal programme or schedule of meetings with investors, shareholders, stakeholders and the public generally. However, the management has the option of calling for meetings with investors/analysts if it deems necessary. Thus, the management is of the opinion that the existing arrangement has been satisfactory.

12.2 Attendance of Directors at General Meetings

The tentative dates of the AGM will be discussed and fixed by the Board in advance to ensure that each of the Directors is able to make necessary arrangement to attend the planned AGM.

At the Ninth (9th) AGM of the Company held on 26 February 2021, all the Directors had participated online to engage directly with shareholders, and be accountable for their stewardship of the Company.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *(cont'd)*

Part II - Conduct of General Meetings *(cont'd)*

12.3 Effective Communication and Proactive Engagement

The Group maintains its effective communication with shareholders by adopting timely, comprehensive, and continuing disclosures of information to its shareholders as well as the general investing public and adopts the best practices recommended by the MCCG with regards to strengthening engagement and communication with shareholders.

To this end, the Group relies on the following channels for effective communication with the shareholders and stakeholders:

(i) Interim financial reports to provide updates on the Group's operations and business developments on a quarterly basis;

(ii) Annual audited financial statements and annual report to provide an overview of the Group's state of governance, state of affairs, financial performance and cash flows for the relevant financial year;

(iii) Corporate announcements to Bursa Securities on material developments of the Group, as and when necessary and mandated by the Listing Requirements; and

(iv) Annual General Meeting.

Shareholders and stakeholders may raise their concerns and queries by contacting the Registered Office of the Group, the details of which as provided under the "Corporate Information" section of this Annual Report. The Share Registrar is also available to attend to administrative matters relating to shareholder interests.

COMPLIANCE STATEMENT

The Board will continue to strive for sound standards of corporate governance throughout the Group. Presently, the Board is of the view that the Company has in all material aspects satisfactorily complied with the principles and practices set out in the MCCG, except for the departures set out in the CG Report.

The Corporate Governance Overview Statement was approved by Board of Directors on 10 December 2021.

AUDIT COMMITTEE REPORT

MEMBERSHIP

The present Audit Committee ("AC") comprised solely of Independent Non-Executive Directors, in compliance with Rule 15.09 of the ACE Market Listing Requirements ("Listing Requirement") of Bursa Malaysia Securities Berhad ("Bursa Securities") and Practice 8.4 of the Malaysian Code on Corporate Governance ("Code").

The present members of the AC are as follows:

Name	Designation	Directorship
Sim Yee Fuan	Chairman	Independent Non-Executive Director
Dato' Chan Choun Sien	Member	Independent Non-Executive Chairman
Dato Sri Chee Hong Leong *(appointed w.e.f. 10.05.2021)*	Member	Independent Non-Executive Director

Table 25: Members of Audit Committee

MEETING AND ATTENDANCE

During the financial year ended 31 August 2021, the AC met five (5) times to discuss matters, among others, in relation to the accounting and reporting practices, related party transactions as well as internal and external audits of the Company and its subsidiaries. The members of the AC and their attendance at the five (5) meetings held during the financial year ended 31 August 2021 were tabulated as below:-

Members	Designation	Attendance
Sim Yee Fuan	Chairman	5/5
Dato' Chan Choun Sien	Member	5/5
Dato Sri Chee Hong Leong *(appointed w.e.f. 10.05.2021)*	Member	1/1

Table 26: Meeting Attendance of Audit Committee

The minutes of each AC meeting were recorded and tabled for confirmation at the following AC meeting. The AC Chairman reported to the Board on the activities undertaken and the key recommendations for the Board's consideration and decision.

The meetings were appropriately structured through the use of agendas, which were distributed to members with sufficient notification. The Company Secretaries or the representatives were present at all the meetings. The executive Board members, members of management as well as representatives of the external auditors and internal auditors were also invited to attend the meetings as and when the need arose.

The AC also made arrangements to meet and discuss with the external and internal auditors on any matters relating to the Group and its audit activities.

TERMS OF REFERENCE

The information on the terms of reference of the AC which laid down its duties and responsibilities is available on the Company's website at www.hextarindustries.com.

AUDIT COMMITTEE REPORT
cont'd

FINANCIAL LITERACY OF THE MEMBERS OF AC

All members of the AC are financially literate and are able to analyse and interpret financial statements in order to effectively discharge their duties and responsibilities as members of the AC. The Chairman of the AC is a member of the Malaysian Institute of Accountants. The qualification and experience of the individual AC members are disclosed in the Profile of Directors in the Annual Report.

All members of AC have also undertaken and will continue to undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules as and when required.

SUMMARY ACTIVITIES OF THE AC DURING THE YEAR

During the financial year ended 31 August 2021, the activities carried out by the AC in discharging its functions and duties included the deliberation and review of the following:-

i. The Group's quarterly and year-end financial results prior to submission to the Board for consideration and approval and release of the Group's quarterly and year-end financial results to Bursa Securities, focusing particularly on matters relating to changes in major accounting policies, significant and unusual events, compliance with accounting standards and other disclosure requirements;

ii. The audit planning memorandum of the External Auditors in a meeting to discuss their audit strategy, audit focus and resources prior to commencement of their annual audit;

iii. The performance of the External Auditors and the recommendations to the Board on their reappointment and remuneration;

iv. The Audit Committee Report and its recommendation to the Board for inclusion in the Annual Report;

v. The Statement of Corporate Governance, Statement on Risk Management and Internal Control and its recommendation to the Board for inclusion in the Annual Report;

vi. The adequacy of the scope and functions of the Internal Audit plan;

vii. The audit reports presented by the Internal Auditors on major findings, recommendations and Management's responses thereto;

viii. The results of follow-up audits conducted by the Internal Auditors on the Management's implementation of audit recommendations;

ix. The effectiveness of the Group's system of internal controls;

x. The proposed final audit fees for the External Auditors and Internal Auditors in respect of their audit of the Company and the Group;

xi. Evaluated the performance of the External Auditors for the financial year ended 31 August 2021 covering areas such as calibre, quality processes, audit team, audit cope, audit communication, audit governance and independence as well as the audit fees of the External Auditors and considered and recommended the re-appointment of the External Auditors;

xii. Related party transactions as required under the Listing Requirements to ascertain that the transactions are conducted at arm's length prior to submission for the Board's consideration and, where appropriate, shareholders' approval;

xiii. The Company's compliance, in particular, the quarterly and year-end financial statements, with the Listing Requirements of Bursa Securities, applicable approved accounting standards of the Malaysian Accounting Standards Board and other relevant legal and statutory requirements;

AUDIT COMMITTEE REPORT
cont'd

INTERNAL AUDIT FUNCTIONS AND ACTIVITIES

The Group's internal audit function which reports directly to the AC, is outsourced to a professional services firm namely ECO Asia Governance Advisory Sdn. Bhd., headed by Mr Woon Soon Fai, Chartered Accountant Malaysia (CA(M)), member of the Malaysian Institute of Accountants (MIA), Fellow member of the Association of Chartered Certified Accountants (FCCA) and Associate member of The Institute of Internal Auditors Malaysia. He has vast experience and exposure in the Internal Audit field. He was assisted by one Internal Auditor professional staff in this assignment during the financial year under review. The Internal Audit firm appointed by the Company is independent of activities related to business operations and performs its duties in accordance with standards set by relevant professional bodies. The Internal Auditors provide the AC with an independent assessment on the adequacy and effectiveness of the Group's risk management and system of internal control.

The Internal Auditors assist the AC in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives. With the internal audit function being put in place, remedial actions can be taken in relation to weaknesses identified and noted in the systems and controls of the respective operating units. The setting up of the internal audit function is geared towards increasing efficiency and better management of resources in all aspects of the Group's operations.

The costs incurred for the internal audit function in respect of the financial year ended 31 August 2021 was approximately RM20,000.00.

The functions of the outsourced Internal Auditors are to:

(i) Perform audit work in accordance with the pre-approved internal audit plan, which covers reviews of the internal control system, risk management and follow up audits to address observations reported in preceding internal audit visits;

(ii) Carry out reviews on the systems of internal control of the Group;

(iii) Review and comment on the effectiveness and adequacy of the existing internal control policies and procedures; and

(iv) Provide recommendations, if any, for the improvement of the internal control policies and procedures.

During the financial year ended 31 August 2021, the following were the activities carried out by the Internal Auditors in discharging its responsibilities on the audit planned for the year:

i. To review the Anti-Corruption and Bribery Review of Hextar Industries Berhad and its subsidiaries; and
ii. To review the general safety for Sin Chee Heng Sdn. Bhd.

The AC and the Board are satisfied with the performance of the outsourced Internal Auditors and have in the interest of greater independence and continuity in the internal audit function, taken the decision to continue with the outsourcing of the Internal Audit function.

For further details on the risk management and internal control, please refer to the Statement on Risk Management and Internal Control set out in this Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors of Hextar Industries Berhad ("HIB") (formerly known as SCH Group Berhad) is pleased to provide the following Statement on Risk Management and Internal Control pursuant to Rule 15.26(b) of the Listing Requirements and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines").

BOARD'S RESPONSIBILITIES

The Board recognises the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and integrity. In addition, the Board has also received assurance from the Group Managing Director that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

Due to inherent limitations in any risk management and internal control system, such system put into effect by management is designed to manage rather than eliminate risks that may impede the achievement of the Group's business objectives. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against material misstatements or errors.

The Board through its Risk Management Committee has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment and regulatory requirements. The process is reviewed by the Board and the Audit Committee on a periodic basis.

Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced by the Group, and in the design and operation of suitable internal controls to mitigate these risks identified.

The Board is of the view that the risk management and internal control system is in place for the year under review and up to the date of issuance of the annual report is adequate and effective to safeguard the shareholders' investments, the interests of customers, regulators, employees and the Group's assets.

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Key elements that have been established in the Group's risk management and internal control system are described below:

1. Risk Management System

Risk management is firmly embedded in the Group's management system as the Board firmly believes that risk management is critical for the Group's sustainability and the enhancement of shareholder value.

The Risk Management Committee ("RMC") with the assistance of the Group's management has facilitated the Board in implementing the process for identifying, evaluating, communicating, monitoring and continuous reviewing of risk encountered by the Group and the effectiveness of action plans developed for risk reduction purpose. The process is designed to adapt to the changes in regulatory requirement, business and external environment.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM *(cont'd)*

1. Risk Management System *(cont'd)*

Key risks for respective business divisions are identified and proper control measures are in placed to minimise the impact of the risks to the Group. Risk register is maintained in assessing the level of risks identified and the appropriate strategies and actions are created to mitigate the risks identified to an acceptable low level. The risk register is updated from time to time in responsive to prevailing business operation.

During the financial year, the Group's management has assessed the potential credit risk for long overdue debts. Therefore, some of the control action plans are implemented to mitigate the credit risk such as credit on hold at Sales Order level and approval of temporary credit facility for overdue debtors.

Besides that, the Group's management has identified the potential risk pertaining to Information and Technology ("IT"). Hence, the Group has formalised a Standard Operating Procedure ("SOP") for IT to minimise the impact of IT risk within the Group.

Covid-19 pandemic is not ended and it has thereby impacted some business divisions of the Group. Thus, the Group's management has continued to carry on the Business Continuity Plan ("BCP") within the Group under the leading of Group Managing Director. This would minimise the implication of Covid-19 pandemic towards the sustainability of the Group.

2. Internal Control System

i) A well-defined organisational structure with clear lines of accountability and responsibilities provide a sound framework within the organisation in facilitating check and balance for proper decision making at the appropriate authority levels of management including matters that require the Board's approval;

ii) A documented delegation of authority that sets out decisions that need to be taken and the appropriate levels of management involved including matters that require the Board's approval;

iii) The Board of Directors and Audit Committee meet at least once on a quarterly basis to review and deliberate on financial reports, annual financial statements and internal audit reports. Discussions with management were held to deliberate on the actions that are required to be taken to address internal control issues identified;

iv) Internal policies and procedures had been established for key business units within the Group;

v) The Internal Audit function reports directly to the Audit Committee. Findings are communicated to Management and the Audit Committee with recommendations for improvements and follow-up to confirm all agreed recommendations are implemented. The Internal Audit plan is reviewed and approved by the Audit Committee;

vi) Scheduled operational and management meetings are held internally from time to time to discuss and review the business plans, budgets, financial and operational performances of the Group. The quarterly financial statements are presented to the Audit Committee and Board for their review and approval. The Board also plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group; and

vii) Provision of training and development to enhance the competitiveness and capability of our staff members.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM *(cont'd)*

3. Internal Audit Function

The Group's internal audit function is outsourced to an independent professional firm, to assist the Board and Audit Committee in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

During the financial year ended 31 August 2021, internal audit visits were carried out based on the approved audit plan to review the Anti-Bribery and Corruption policy and practice of the Group and the general safety of Sin Chee Heng Sdn. Bhd. The findings of the internal audit, including the recommended corrective actions, were presented directly to the Audit Committee.

In addition, follow up review will be conducted to ensure that corrective actions have been implemented on a timely manner. Based on the internal audit review conducted, certain weaknesses surrounding the assessment of Anti-Bribery and Corruption policy for the Group and the general safety practices for the company under review was highlighted to the management.

In FYE 2021, the Group had reviewed the Standard Operating Policy and Procedures to address the issues highlighted.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Group for the financial year ended 31 August 2021 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness of the Group's risk management and internal control system.

MANAGEMENT'S ASSURANCE

The Group Managing Director, representing the management, has given reasonable assurance to the Board that the Group's risk management and internal control systems are adequate and effective, in all material aspects, based on the risk management and internal controls adopted by the Group and similar assurance given by the respective heads of operations.

CONCLUSION

For the financial year under review, there were no significant internal control deficiencies or material weaknesses resulting in material losses or contingencies requiring disclosure in the Annual Report. The Board is of the view that the existing Group's system of risk management and internal control is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognisant of the fact that the Group's system of risk management and internal control practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the Group's system of internal control and risk management framework.

OTHER DISCLOSURE REQUIREMENTS

Pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad

1. AUDIT AND NON-AUDIT FEE PAID TO EXTERNAL AUDITORS

The audit fees and non-audit fees payable to the external auditors during the financial year ended 31 August 2021 ("FY2021") were as follows:

	Company	Group
	(RM)	(RM)
Audit Services Rendered	47,000	198,000
Non-Audit Services Rendered	33,000	33,000
TOTAL	**80,000**	**231,000**

Table 27: Audit and Non-Audit Fee

2. MATERIAL CONTRACTS

There are no other material contracts (including contracts not reduced into writing), entered into in the ordinary course of business which have been entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests during the financial year under review.

3. MATERIAL CONTRACTS RELATING TO LOANS

During the financial year, there were no material contracts relating to loans entered into by the Company and its subsidiaries involving Directors', chief executive's and/or major shareholders' interests.

4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING NATURE ("RRPT")

The Company is seeking approval from the shareholders for the proposed new and renewal of shareholders' mandate for HIB Group to enter into RRPT(s) of a revenue or trading nature pursuant to Rule 10.09 and Guidance Note 8 of the Listing Requirements at the forthcoming Annual General Meeting to be convened on Monday, 14 February 2022.

5. UTILISATION PROCEEDS FROM CORPORATE EXERCISE

The Company has undertaken renounceable rights issue which was completed on 29 October 2021 following the listing and quotation of 929,864,180 Rights Shares and 61,138,799 additional warrants on the ACE Market of Bursa Securities ("Rights Issue"). The Right Issues has raised total gross proceeds of RM111,583,702 million. Status of the utilisation of proceeds derived from the corporate proposal by the Company as at 30 November 2021 are as follows:-

Purpose	Proposed Utilisation	Actual utilisation	Balance Utilisation	Intended Timeframe for Utilisation
	(RM'000)	(RM'000)	(RM'000)	
Repayment of bank borrowings	33,500	1,603	31,897	Within 6 months
Working capital	77,084	5,300	71,784	Within 24 months
Estimated Expenses	1,000	889	111	Within 1 month
Total	**111,584**	**7,792**	**103,792**	

Table 28: Utilisation Proceeds from Corporate Exercise

DIRECTORS' RESPONSIBILITY STATEMENT
on financial statements

In accordance to the Companies Act 2016, the Directors are obliged to prepare the financial statements for each financial year in accordance with the applicable Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

The primary aim of the Directors is to present a balanced and understandable assessment of the Group's position and prospects through its annual financial statements and quarterly financial results to its shareholders. In presenting the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates.

The quarterly financial results were reviewed by the Audit Committee and approved by the Board of Directors before their release to Bursa Malaysia Securities Berhad.

The Directors of the Company are required to ensure that the financial statements for each financial year are properly drawn up in accordance with the provisions of the Companies Act, 2016 and applicable approved accounting standards in Malaysia as well as the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the results and cash flows of the Group and the Company for that period.

The Directors are responsible for ensuring that the Group and the Company keep proper accounting records and other records which are closed with reasonable accuracy at any time the financial position of the Group and the Company.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 August 2021, the Group had used appropriate accounting policies and applied them consistently, prudently and reasonably. The Directors also ensure that all applicable approved accounting standards are adhered to in the preparation of the financial statements.

In addition, the Directors are responsible for taking reasonable steps to safeguard the assets of the Company and the Group, to detect and prevent fraud and other irregularities.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 August 2021.

CHANGE OF NAME

On 5 March 2021, the Company changed its name from SCH Group Berhad to Hextar Industries Berhad.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Net profit for the financial year	1,915,926	3,756,675
Attributable to:		
owners of the Company	1,641,670	3,756,675
non-controlling interests	274,256	-
	1,915,926	3,756,675

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividend for the financial year ended 31 August 2021.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company:

i) consolidated every 3 existing ordinary shares into 1 ordinary share; and

ii) issued 803,100 new ordinary shares pursuant to the exercise of 803,100 warrants at the issue price of RM0.30 per share as disclosed in Note 14 to the financial statements.

DIRECTORS' REPORT
cont'd

ISSUE OF SHARES AND DEBENTURES *(cont'd)*

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

There was no issuance of debentures during the financial year.

ISSUE OF WARRANTS

During the financial year, the Company consolidated every 3 existing warrants into 1 warrant and 803,100 warrants were exercised.

The salient features and movement of the warrants are disclosed in Note 14 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

DIRECTORS

The Directors who held in the office during the financial year until the date of this report are:

Dato' Chan Choun Sien	
Dato' Ong Choo Meng	
Ong Tzu Chuen	
Sim Yee Fuan	
Wong Kin Seng	
Ang Sui Aik, Benny	(appointed on 1 January 2021)
Dato' Sri Chee Hong Leong	(appointed on 10 May 2021)
De Souza Michael Lawrence	(resigned on 31 December 2020)
Gan Khong Aik	(resigned on 10 May 2021)

DIRECTORS OF SUBSIDIARIES

The following is a list of Directors of the subsidiaries (excluding Directors who are also Directors of the Company) in office during the financial year until the date of this report:

Leong Hin Kieat
Wu XiaoSheng
Teh Li King
Ong Soon Hooi
Ong Soon Lim
Ooi Youk Lan

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholding required to be kept under Section 59 of the Companies Act, 2016, the interests and deemed interests of Directors in office at the end of the financial year in the shares of the Company or its subsidiaries during the financial year (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) are as follows:

	Number of ordinary shares in the Company				
	At 01.09.2020	Acquired	Disposed	Consolidation	At 31.08.2021
Direct interest					
Sim Yee Fuan	50,000	-	-	(33,334)	16,666
Wong Kin Seng	20,450,083	-	-	(13,633,389)	6,816,694
Dato' Chan Choun Sien	400,000	700,000	-	(733,300)	366,700
Deemed interest					
Dato' Ong Choo Meng #	171,733,900	-	-	(114,489,268)	57,244,632
Dato' Chan Choun Sien *	200,000	-	-	(133,334)	66,666

	Number of warrant 2016/2021 in the Company				
	At 01.09.2020	Acquired	Disposed	Consolidation	At 31.08.2021
Sim Yee Fuan	25,000	-	-	(16,667)	8,333

\# *Deemed interest for the shares held by Hextar Holdings Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016.*

* *Deemed interest for the shares held by parents pursuant to Section 8 of the Companies Act, 2016.*

By virtue of their interests in the shares of the Company, the above Directors are also deemed interested in the shares of all the subsidiary companies during the financial year to the extent that the Company has interest.

Other than as disclosed above, there is no other Director who is in office at the end of the financial year held any interest in the shares of the Company.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than the aggregate amount of Directors' remuneration due and receivable by Directors as shown in Note 25 to the financial statements) by reason of a contract made by the Company or a related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than certain Directors who have substantial financial interests in companies which traded with the Company in ordinary course of business as disclosed in Note 29(c) to the financial statements.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT
cont'd

DIRECTORS' REMUNERATION

Details of directors' remuneration are set out in Note 25 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

No indemnity has been given to or insurance effected for the Directors or officers of the Company pursuant to Section 289 of the Companies Act, 2016 ("the Act").

To the extent permitted by the Act, the Company has agreed to indemnity its auditors as part of the terms of their engagement against claims by third parties arising from the audit. No payment has been made to indemnify the auditors during or since the financial year.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:

  (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to be realised in the accounting records in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

  (i) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;

  (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading;

  (iii) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading; and

  (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) At the date of this report, there does not exist:

  (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

  (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

DIRECTORS' REPORT
cont'd

OTHER STATUTORY INFORMATION *(cont'd)*

(d) In the opinion of the Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature;

(iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

AUDITORS' REMUNERATION

The details of auditors' remuneration are disclosed in Note 24 to the financial statements.

SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE FINANCIAL YEAR

Significant events during and subsequent to the financial year are disclosed in Note 33 to the financial statements.

AUDITORS

The auditors, ECOVIS MALAYSIA PLT, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors on 10 December 2021,

WONG KIN SENG
Director

ANG SUI AIK
Director

Kuala Lumpur

STATEMENT BY DIRECTORS

Pursuant to Section 251 (2) of the Companies Act, 2016

We, **Wong Kin Seng** and **Ang Sui Aik**, being two of the Directors of **Hextar Industries Berhad (formerly known as SCH Group Berhad)**, state that, in the opinion of the Directors, the accompanying financial statements set out on pages 82 to 160 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 August 2021 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors on 10 December 2021,

WONG KIN SENG
Director

ANG SUI AIK
Director

Kuala Lumpur

STATUTORY DECLARATION

Pursuant to Section 251 (1) of the Companies Act, 2016

I, **Lee Kok Ping**, being the officer primarily responsible for the financial management of **Hextar Industries Berhad (formerly known as SCH Group Berhad)**, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 82 to 160 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed at Kuala Lumpur in the Federal)
Territory on 10 December 2021)

LEE KOK PING (44986)

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

To the Members of Hextar Industries Berhad (Formerly known as SCH Group Berhad)
(Registration No. 201101044580 (972700-P)) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of **Hextar Industries Berhad (formerly known as SCH Group Berhad)** ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position as at 31 August 2021 of the Group and of the Company, and the statements of profit and loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 82 to 160.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 August 2021, and of their financial performance and their cash flows for the year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT

To the Members of Hextar Industries Berhad (Formerly known as SCH Group Berhad)
(Registration No. 201101044580 (972700-P)) (Incorporated in Malaysia)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *(cont'd)*

Key Audit Matters *(cont'd)*

Key audit matters	*How our audit addressed the key audit matters*
Impairment review on goodwill *Refer to Note 7 to the financial statements.* The Group is required to perform annual impairment test of cash generating unit (CGU) to which goodwill has been allocated. The Group estimated the recoverable amount of its CGU allocated based on value in use of the CGU. Estimating the value in use of the CGU involves estimating the future cash inflows and outflows that will derived from the CGU, and discounting them at an appropriate rate. As at 31 August 2021, the Group's goodwill amounted to RM19,275,969 and representing 11.3% of total assets of the Group. We considered the impairment assessment of goodwill an area of focus for our audit as the amount involved is significant, the assessment process is complex and involves significant management's judgements about future market and economic conditions and changes in key assumptions may lead to a significant change in the recoverable amount of the CGU.	Our audit procedures included, among others, the following: ● Agreed the cash flow projection to the financial budgets approved by the Directors; ● Discussed with management the key assumptions used in the cash flows forecast; ● Assessed and discussed with management on the reasonableness of the discount rate and growth rates; ● Analysed the sensitivity of key assumption by assessing the impact of changes to key assumption to recoverable amount of CGU. Based on the procedure performed, no material exceptions were noted.

Impairment review on inventories
 	
Refer to Note 10 to the financial statements.
 	
As at 31 August 2021, the Group's inventories amounted to RM29,637,323 and is representing 17.3% of total assets of the Group.
 	
The Group's inventories are measured at the lower of cost or net realisable value. Valuation of inventories is a key audit matter due to the demand and ability of the Group to sell the inventories in the future may be adversely affected by changes in customer demand and construction industry. There is judgement involved in assessing the level of inventory provision required in respect of slow moving inventories.
	Our audit procedures included, among others, the following:
	
	● obtaining an understanding of :
	  ● the Group's inventory management process; and
	  ● how the Group identified and assessed slow-moving or obsolete inventories;
	● reviewing the stock movement report and stock aging report to identify slow moving aged items;
	● attending year end physical inventory count to observe physical existence and condition of raw material and finished goods; and
	● reviewing the net realisable value on selected samples of inventory items to test management's evaluation and ensuring that the inventories have been written down.
	
	Based on the procedure performed, no material exceptions were noted.

INDEPENDENT AUDITORS' REPORT

To the Members of Hextar Industries Berhad (Formerly known as SCH Group Berhad)
(Registration No. 201101044580 (972700-P)) (Incorporated in Malaysia)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *(cont'd)*

Key Audit Matters *(cont'd)*

Key audit matters	*How our audit addressed the key audit matters*
Impairment of trade receivables *Refer to Note 8 to the financial statements* As at 31 August 2021, the Group's trade receivables' carrying amounting to RM40,785,560, net of impairment losses of RM103,231, representing 23.8% of total assets of the Group. The impairment of trade receivables involved judgement in the assessment of the trade receivables in determining the probability of default by trade receivables and appropriate forward looking information.	Our audit procedures included, among others, the following: ● reviewing the ageing analysis of trade receivables and testing the accuracy of the ageing; ● reviewing the probability of default using historical data and forward looking information applied by the Group; ● reviewing subsequent collection from overdue trade receivables; and ● evaluating the reasonableness and adequacy of the impairment of trade receivables. Based on the procedure performed, no material exceptions were noted.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the annual report 2021, which is expected to be made available to us after the date of auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT

To the Members of Hextar Industries Berhad (Formerly known as SCH Group Berhad)
(Registration No. 201101044580 (972700-P)) (Incorporated in Malaysia)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *(cont'd)*

Responsibilities of the Directors for the Financial Statements *(cont'd)*

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group and of the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole that free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

To the Members of Hextar Industries Berhad (Formerly known as SCH Group Berhad)
(Registration No. 201101044580 (972700-P)) (Incorporated in Malaysia)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *(cont'd)*

Auditors' Responsibilities for the Audit of the Financial Statements *(cont'd)*

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguard applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ECOVIS MALAYSIA PLT
AF 001825
Chartered Accountants

CHUA KAH CHUN
02696/09/2023 J
Chartered Accountant

Kuala Lumpur
10 December 2021

STATEMENTS OF FINANCIAL POSITION

As at 31 August 2021

		Group		Company	
		2021	2020	2021	2020
	Note	RM	RM	RM	RM
Non-current assets					
Property, plant and equipment	5	57,406,834	60,014,904	-	-
Investment in subsidiary companies	6	-	-	83,538,782	82,643,127
Goodwill on consolidation	7	19,275,969	19,214,476	-	-
Trade receivables	8	-	11,250	-	-
Other receivable	9	50,000	275,000	-	-
		76,732,803	79,515,630	83,538,782	82,643,127
Current assets					
Inventories	10	29,637,323	19,672,013	-	-
Trade receivables	8	40,785,560	48,583,911	-	-
Other receivables	9	6,042,730	12,148,908	602,236	10,235,837
Contract assets	22(a)	145,940	-	-	-
Amount due from subsidiary companies	11	-	-	16,635,118	8,897,691
Tax recoverable		1,387,408	927,206	13,647	-
Fixed deposits with financial institutions	12	6,460,000	9,443,709	5,000,000	5,288,883
Cash and bank balances		9,846,247	7,471,059	366,852	131,800
		94,305,208	98,246,806	22,617,853	24,554,211
Assets classified as held for sale	13	-	669,073	-	-
		94,305,208	98,915,879	22,617,853	24,554,211
Total assets		171,038,011	178,431,509	106,156,635	107,197,338

STATEMENTS OF FINANCIAL POSITION

As at 31 August 2021
cont'd

		Group		Company	
		2021	2020	2021	2020
	Note	RM	RM	RM	RM
Equity					
Share capital	14	76,158,901	75,917,971	76,158,901	75,917,971
Merger deficit	15	(23,858,598)	(23,858,598)	-	-
Foreign currency translation reserve	16	(3,232)	(10,918)	-	-
Retained earnings/ (accumulated losses)		27,573,515	25,931,845	(621,218)	(4,377,893)
Total equity attributable to shareholders of the Company		79,870,586	77,980,300	75,537,683	71,540,078
Non-controlling interest		4,019,998	3,745,742	-	-
Total equity		83,890,584	81,726,042	75,537,683	71,540,078
Non-current liabilities					
Lease liabilities	17	1,422,082	1,537,088	-	-
Bank borrowings	18	41,949,904	15,950,498	26,450,000	-
Deferred tax liabilities	19	6,539,995	7,055,485	-	-
		49,911,981	24,543,071	26,450,000	-
Current liabilities					
Trade payables	20	14,038,247	27,168,498	-	-
Other payables	21	4,696,715	3,227,322	95,744	52,799
Contract liabilities	22(a)	259,245	788,382	-	-
Amount due to subsidiary company	11	-	-	100,000	-
Lease liabilities	17	399,372	472,124	-	-
Bank borrowings	18	17,839,925	40,476,907	3,973,208	35,588,988
Tax payable		1,942	29,163	-	15,473
		37,235,446	72,162,396	4,168,952	35,657,260
Total liabilities		87,147,427	96,705,467	30,618,952	35,657,260
Total equity and liabilities		171,038,011	178,431,509	106,156,635	107,197,338

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 August 2021

		Group		Company	
		2021	2020	2021	2020
	Note	RM	RM	RM	RM
Revenue	22	123,040,262	121,286,020	5,250,000	5,960,000
Cost of sales		(103,090,835)	(102,925,520)	-	-
Gross profit		19,949,427	18,360,500	5,250,000	5,960,000
Other income		2,466,451	12,203,118	749,036	10,370,459
Net impairment loss on financial assets		(103,231)	(1,927,638)	-	-
Administrative expenses		(11,773,844)	(11,308,655)	(690,021)	(450,748)
Selling and distribution expenses		(7,269,522)	(8,684,282)	-	-
Other operating expenses		(130,556)	(12,884,594)	-	(16,870,284)
Profit/(Loss) before operations		3,138,725	(4,241,551)	5,309,015	(990,573)
Finance costs	23	(2,601,554)	(3,378,442)	(1,521,884)	(1,887,110)
Profit/(Loss) before tax	24	537,171	(7,619,993)	3,787,131	(2,877,683)
Taxation	26	1,378,755	(271,476)	(30,456)	(36,129)
Profit/(Loss) for the financial year		1,915,926	(7,891,469)	3,756,675	(2,913,812)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 August 2021
cont'd

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Profit/(Loss) for the financial year		1,915,926	(7,891,469)	3,756,675	(2,913,812)
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
- Exchange translation differences for foreign operations		7,686	(2,701)	-	-
Total comprehensive income/(loss) for the financial year		1,923,612	(7,894,170)	3,756,675	(2,913,812)
Profit/(Loss) for the financial year attributable to:					
Owners of the Company		1,641,670	(7,995,036)	3,756,675	(2,913,812)
Non-controlling interests		274,256	103,567	-	-
Net profit/(loss) for the financial year		1,915,926	(7,891,469)	3,756,675	(2,913,812)
Total comprehensive income/(loss) for the financial year attributable to:					
Owners of the Company		1,649,356	(7,997,737)	3,756,675	(2,913,812)
Non-controlling interests		274,256	103,567	-	-
Total comprehensive income/(loss) for the financial year		1,923,612	(7,894,170)	3,756,675	(2,913,812)
Earnings per share attributable to owners of the parent:					
Basic (Sen)	27	0.68	(3.34)		
Diluted (Sen)	27	0.68	(3.34)		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 August 2021

		Attributable to owners of the parent						
		Non-distributable			Distributable			
	Note	Share capital RM	Merger deficit RM	Foreign currency translation reserve RM	Retained earnings RM	Total RM	Non-controlling interest RM	Total equity RM
Group								
At 1 September 2020		75,917,971	(23,858,598)	(10,918)	25,931,845	77,980,300	3,745,742	81,726,042
Exercise of Warrants	14	240,930	-	-	-	240,930	-	240,930
Profit for the financial year		-	-	-	1,641,670	1,641,670	274,256	1,915,926
Other comprehensive income for the financial year		-	-	7,686	-	7,686	-	7,686
Total comprehensive income for the financial year		240,930	-	7,686	1,641,670	1,890,286	274,256	2,164,542
At 31 August 2021		76,158,901	(23,858,598)	(3,232)	27,573,515	79,870,586	4,019,998	83,890,584

STATEMENTS OF CHANGES IN EQUITY
For the Financial Year Ended 31 August 2021
cont'd

		Attributable to owners of the parent						
		Non-distributable			Distributable			
	Note	Share capital RM	Merger deficit RM	Foreign currency translation reserve RM	Retained earnings RM	Total RM	Non-controlling interest RM	Total equity RM
Group								
At 1 September 2019		75,917,971	(23,858,598)	(8,217)	33,926,881	85,978,037	3,642,175	89,620,212
(Loss)/Profit for the financial year		-	-	-	(7,995,036)	(7,995,036)	103,567	(7,891,469)
Other comprehensive loss for the financial year		-	-	(2,701)	-	(2,701)	-	(2,701)
Total comprehensive (loss)/ income for the financial year		-	-	(2,701)	(7,995,036)	(7,997,737)	103,567	(7,894,170)
At 31 August 2020		75,917,971	(23,858,598)	(10,918)	25,931,845	77,980,300	3,745,742	81,726,042

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 August 2021
cont'd

	Note	Non-Distributable Share capital RM	Distributable Accumulated losses RM	Total equity RM
Company				
At 1 September 2019		75,917,971	(1,464,081)	74,453,890
Loss for the financial year, representing total comprehensive loss for the financial year		-	(2,913,812)	(2,913,812)
At 31 August 2020		75,917,971	(4,377,893)	71,540,078
At 1 September 2020		75,917,971	(4,377,893)	71,540,078
Exercise of Warrants	14	240,930	-	240,930
Profit for the financial year, representing total comprehensive income for the financial year		-	3,756,675	3,756,675
At 31 August 2021		76,158,901	(621,218)	75,537,683

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
For the Financial Year Ended 31 August 2021

	Note	Group		Company	
		2021	2020	2021	2020
	Note	RM	RM	RM	RM
Cash flow from operating activities					
Profit/(Loss) before tax		537,171	(7,619,993)	3,787,131	(2,877,683)
Adjustment for:					
Bad debts written off		3,680	256,629	-	-
Depreciation of property, plant and equipment		4,837,530	4,961,269	-	-
Deposit written off		-	3,300	-	-
Dividend income		-	-	(5,250,000)	(5,960,000)
(Reversal)/addition of impairment loss on investment in subsidiaries		-	-	(615,655)	16,870,284
Net impairment loss on trade receivables		103,231	1,927,638	-	-
Interest expenses		2,601,554	3,378,442	1,521,884	1,887,110
Inventories written down		126,875	2,550,459	-	-
Inventories written off		-	67,552	-	-
Impairment loss on goodwill		-	9,542,427	-	-
Property, plant and equipment written off		-	464,227	-	-
Unrealised (gain)/loss on foreign exchange, net		(131,436)	110,896	-	-
Gain on disposal of property, plant and equipment and assets held for sale		(1,428,174)	(45,652)	-	-
Finance income		(294,305)	(492,301)	(133,381)	(153,720)
Operating profit/(loss) before working capital changes		6,356,126	15,104,893	(690,021)	9,765,991

STATEMENTS OF CASH FLOWS
For the Financial Year Ended 31 August 2021
cont'd

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Cash flows from operating activities *(cont'd)*					
Change in working capital:					
Inventories		(10,487,878)	3,821,251	-	-
Trade receivables		9,333,061	(10,028,854)	-	-
Other receivables		(3,884,989)	(9,453,021)	(583,138)	(10,213,830)
Contract assets		(145,940)	1,218,000	-	-
Trade payables		(14,706,182)	7,135,741	-	-
Other payables		1,445,022	1,248,468	42,945	1,719
Contract liabilities		(529,137)	132,681	-	-
		(18,976,043)	(5,925,734)	(540,193)	(10,212,111)
Cash (used in)/generated from operations		(12,619,917)	9,179,159	(1,230,214)	(446,120)
Interest received		277,423	396,501	133,381	153,720
Interest paid		(2,240,531)	(2,059,738)	(1,218,676)	(1,018,122)
Tax refund		2,071,931	219,757	-	-
Tax paid		(1,702,015)	(815,013)	(59,576)	(16,093)
		(1,593,192)	(2,258,493)	(1,144,871)	(880,495)
Net cash (used in)/generated from operating activities		(14,213,109)	6,920,666	(2,375,085)	(1,326,615)
Cash flow from investing activities					
Acquistion of subsidiaries		(92,645)	-	(280,000)	-
Dividend received		-	-	5,250,000	5,960,000
Proceeds from gain on profit guarantee		10,216,739	-	10,216,739	-
Purchase of property, plant and equipment	5(c)	(1,376,859)	(3,290,465)	-	-
Proceeds from disposal of property, plant and equipment and assets held for sale		2,385,544	329,493	-	-
Net cash generated from/(used in) investing activities		11,132,779	(2,960,972)	15,186,739	5,960,000

STATEMENTS OF CASH FLOWS
For the Financial Year Ended 31 August 2021
cont'd

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Cash flow from financing activities					
Net movement of bankers' acceptance		10,276,790	231,093	-	-
Net movement of invoices financing		(739,752)	1,653,999	-	-
Uplifted in fixed deposit pledged		-	3,486,748	-	-
Proceeds from exercise of warrants		240,930	-	240,930	-
Repayment of lease liabilities		(786,759)	(636,050)	-	-
Repayment of term loans		(6,527,922)	(4,657,132)	(5,468,988)	(3,401,187)
Net advances (to)/from subsidiaries		-	-	(7,637,427)	3,142,309
Net cash generated from/ (used in) financing activities	(a)	2,463,287	78,658	(12,865,485)	(258,878)
Net (decrease)/increase in cash and cash equivalents		(617,043)	4,038,352	(53,831)	4,374,507
Effects on foreign exchange rate		8,522	(2,701)	-	-
Cash and cash equivalents at beginning of the financial year		16,894,768	12,859,117	5,420,683	1,046,176
Cash and cash equivalents at end of the financial year		16,286,247	16,894,768	5,366,852	5,420,683
Cash and cash equivalents at the end of the financial year comprises:					
Fixed deposits with financial institutions		6,460,000	9,443,709	5,000,000	5,288,883
Cash and bank balances		9,846,247	7,471,059	366,852	131,800
		16,306,247	16,914,768	5,366,852	5,420,683
Less: Fixed deposits pledged with financial institutions		(20,000)	(20,000)	-	-
		16,286,247	16,894,768	5,366,852	5,420,683

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 August 2021
cont'd

(a) **Changes in liabilities arising from financing activities**

Group	At 1 September 2020 RM	Accrued interest expense RM	Acquisition of new lease RM	Net cash flow RM	Foreign exchange movement RM	At 31 August 2021 RM
2021						
Lease liabilities	2,009,212	-	599,001	(786,759)	-	1,821,454
Bankers' acceptance	1,966,093	-	-	10,276,790	(7,715)	12,235,168
Invoice financing	1,653,999	-	-	(739,752)	-	914,247
Term loans	52,807,313	361,023	-	(6,527,922)	-	46,640,414
	58,436,617	361,023	599,001	2,222,357	(7,715)	61,611,283

Group	At 1 September 2019 RM	Accrued interest expense RM	Acquisition of new lease RM	Net cash flow RM	Foreign exchange movement RM	At 31 August 2020 RM
2020						
Lease liabilities	1,156,117	11,216	1,477,929	(636,050)	-	2,009,212
Bankers' acceptance	1,735,000	-	-	231,093	-	1,966,093
Invoice financing	-	-	-	1,653,999	-	1,653,999
Term loans	56,156,957	1,307,488	-	(4,657,132)	-	52,807,313
	59,048,074	1,318,704	1,477,929	(3,408,090)	-	58,436,617

STATEMENTS OF CASH FLOWS
For the Financial Year Ended 31 August 2021
cont'd

(a) Changes in liabilities arising from financing activities *(cont'd)*

	At 1 September 2020 RM	Accrued interest expense RM	Net cash flow RM	At 31 August 2021 RM
Company				
2021				
Term loans	35,588,988	303,208	(5,468,988)	30,423,208

	At 1 September 2019 RM	Accrued interest expense RM	Net cash flow RM	At 31 August 2020 RM
Company				
2020				
Term loans	38,121,187	868,988	(3,401,187)	35,588,988

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of the Bursa Malaysia Securities Berhad.

The principal place of business of the Company is located at Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan.

The registered office of the Company is located at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiary companies are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 10 December 2021.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies as disclosed in Note 3 to the financial statements.

The financial statements are presented in Ringgit Malaysia ("RM") which is the Group's and the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

2. BASIS OF PREPARATION *(cont'd)*

(a) Adoption of standards and amendments to published standards during the current financial year

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following standards and amendments to published standards:

MFRS (Including the Consequential Amendments)		Effective Date
Amendments to MFRS 3	Business Combinations – Definition of a Business	1 January 2020
Amendments to MFRS 7	Financial Instruments: Disclosures – Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 9	Financial Instruments – Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101	Presentation of Financial Statements – Definition of Material	1 January 2020
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material	1 January 2020
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement – Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 16	Leases – Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021

The Group and the Company have early adopted the Amendments to MFRS 16: Covid-19 - Related Rent Concession beyond 30 June 2021 on 1 September 2020, which is effective for financial periods beginning on or after 1 April 2021.

The adoption of the above amendments to MFRSs did not result in significant changes in the accounting policies of the Group and of the Company and has no significant effect on the financial performance or position of the Group and of the Company for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

2. BASIS OF PREPARATION *(cont'd)*

(b) New and amended standards and interpretations issued but not yet effective

The following are standards, amendments to published standards and IC interpretations issued by Malaysian Accounting Standard Board (MASB), but not yet effective, up to the date of issuance of the Company's financial statements. The Company intend to adopt these standards, amendments to published standards and IC interpretations, if applicable, when they become effective in the following annual periods:

MFRS (Including the Consequential Amendments)		Effective Date
Amendments to MFRS 4	Insurance Contracts – Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to MFRS 7	Financial Instruments: Disclosures – Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to MFRS 9	Financial Instruments – Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to MFRS 16	Leases – Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement – Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to MFRS 3	Business Combinations – Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to MFRSs	Annual Improvement to MFRSs 2018 – 2020 Cycle	1 January 2022
Amendments to MFRS 101	Presentation of Financial Statements – Disclousre of Accounting Policies	1 January 2023
Amendments to MFRS 101	Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 10	Consolidated Financial Statements – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced
Amendments to MFRS 128	Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The initial application of the abovementioned new and amendments to published standards and IC interpretation, where applicable, are not expected to have any material financial impact to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(l)(i) to the financial statements on impairment of non-financial assets.

Acquisition of subsidiaries are accounted for using the acquisition method other than those acquisition of subsidiaries accounted for using merger accounting principles which is outside the scope MFRS 3. The merger accounting is used by the Group to account for business combination involving entities under common control.

Merger method

Under the merger method of accounting, the results of subsidiary companies are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any difference between the consideration paid and the share capital of the subsidiaries is reflected within equity as merger reserve.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(a) Basis of consolidation *(cont'd)*

(i) Subsidiary companies *(cont'd)*

<u>Acquisition method</u>

Under the acquisition method of accounting, subsidiary companies are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed off in profit or loss as incurred.

If the business combination is achieved in stages, previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of MFRS 139, 'Financial Instruments: Recognition and Measurement', is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

(ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, non-controlling interests and other components if equity related to the former subsidiary company are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(b) Foreign currency translation

(i) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, are translated to RM at the rate of exchange prevailing at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity. However, if the operation is a non-wholly owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary company that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(l)(i).

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of property, plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

Capital work-in-progress consists of buildings under construction or installation for intended use as production facilities. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under construction or installation until the property, plant and equipment are ready for their intended use.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(c) Property, plant and equipment *(cont'd)*

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Leasehold land	Remaining lease period
Freehold buildings	50 years
Leasehold buildings	Remaining lease period up to maximum 50 years
Furniture and fittings	5 - 13 years
Motor vehicles	4 - 10 years
Office equipment	3 - 10 years
Plant and machinery	5 - 20 years
Renovation	10 - 13 years
Tools and equipment	6 - 20 years
Mould and blocks	5 years

The residual values, useful lives and depreciation method are reviewed at each reporting period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

(d) Goodwill

Goodwill arises on the acquisition of subsidiaries and it represents the excess of the cost of the acquisition over the Group's interest in the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of non-controlling interest in the acquiree at the date of acquisition.

Gain and losses on the disposal of an entity included the carrying amount of goodwill relating to the entity sold.

Goodwill acquired in a business combination is allocated to cash-generating unit for the purpose of impairment testing and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. The carrying value of goodwill is compared to the recoverable amount, which is the higher of fair values less cost of disposal and value-in-use. Any impairment is recognised immediately as an expenses and is not subsequently reversed.

The policy of recognition and measurement of impairment losses is in accordance with Note 3(l)(i).

NOTES TO THE FINANCIAL STATEMENTS
31 August 2021
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(e) Leases

The Group and the Company recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases excluding short-term leases or leases for which the underlying asset is of low value, conveying the right to control the use of an identified asset for a period of time.

The right-of-use assets are initially recorded at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date of the lease, less any lease incentives received;
- any initial direct costs incurred by the Group and by the Company; and
- an estimate of costs to be incurred by the Group and by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lessor.

Subsequent to the initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

Depreciation is computed on a straight-line basis over the estimated useful lives of the right-of-use assets or lease term whichever is earlier.

If the lease transfers ownership of the underlying asset to the Group and to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Group and the Company will exercise a purchase option, the Group and the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group and the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the Group's and the Company's incremental borrowing rate. Subsequent to the initial recognition, the Group and the Company measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications.

Lessor accounting under MFRS 16 is substantially unchanged under MFRS 117. Lessor will continue to classify all leases using the same classification principles as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(f) Financial assets

Financial assets are recognised on the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

Financial assets measure at amortised cost

Financial assets that are held within a business model whole objective is to old financial assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured subsequently at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the assets is derecognised, modified and impaired.

The Group's and the Company's financial assets at amortised cost include trade and other receivables (excluding prepayments and advances paid), deposits, amount due from subsidiary companies and cash and bank balances.

Financial assets measure at fair value

Financial assets that's are debt instruments are measured at FVTOCI if they are held within a business model whose objective are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value of these financial assets are recognised in other comprehensive income, except impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Financial assets that are debt instruments which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL. The Group and the Company do not have any financial assets measured at FVTOCI or FVTPL.

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired principally for sales in the near term or are derivatives that are not meet the hedge accounting criteria (including separated embedded derivatives). The Group and the Company does not have any financial assets that are equity instruments.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(f) Financial assets *(cont'd)*

Financial assets measure at fair value *(cont'd)*

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value of these financial assets are recognised in other comprehensive income and are not subsequently transferred to profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's or the Company's right to receive payment is establish.

Derecognition

The Group and the Company derecognises a financial asset only when the contractual rights to the cash flows from the financial assets expired, or when it transfers the financial assets and substantially all the risk and rewards of ownerships of the financial assets to another entity. If the Group or the Company neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred financial assets the Group or the Company recognised its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group or the Company retains all the risk and rewards of ownerships of a transferred financial assets the Group or the Company continues to recognised the financial assets and also recognised a collateralised borrowings for the proceeds received.

On derecognition of a financial assets measured at amortised cost, the difference between the financial asset's carrying amount and the sum of the consideration received and receivables is recognised in profit or loss.

(g) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

Financial liabilities are recognised on the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument.

The Group and the Company classify their financial liabilities at initial recognition, into financial liabilities at fair value through profit or loss and other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at financial liabilities at fair value through profit or loss.

Financial liabilities held for trading include derivatives (except for a derivative that is a financial guarantee contract) entered into by the Group and the Company that does not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resulted gain or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(g) Financial liabilities *(cont'd)*

Other financial liabilities

The Group's and the Company's other financial liabilities comprise trade and other payables, lease liabilities and bank borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Lease liabilities and bank borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group or the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(h) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(i) Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group and the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137, 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(i) Financial guarantee contracts *(cont'd)*

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

(j) Inventories

Raw materials and finished goods are stated at the lower of cost and net realisable value.

The cost of inventories is based on the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(l) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets, except for inventories are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(l) Impairment of assets *(cont'd)*

(i) Non-financial assets *(cont'd)*

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indication that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(ii) Financial assets

<u>Financial assets other than trade receivables and contract assets</u>

The Group and the Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVTOCI. The Group and the Company assess at each financial year end whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition.

In determining whether credit risk has increased significantly since initial recognition, the Group and the Company use historical experience on similar assets and other supportive information to access deterioration in credit quality of a financial asset. The Group and the Company assess whether all the credit risk on a financial asset has increased significantly on an individual or collective basis. For collective basis evaluation, financial assets are grouped on the basis of similar risk characteristics.

The Group and the Company consider past loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(l) Impairment of assets *(cont'd)*

(ii) Financial assets *(cont'd)*

Financial assets other than trade receivables and contract assets *(cont'd)*

The amount of impairment loss is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group or the Company and all the cash flow that the Group or the Company expects to received. The carrying amount of the financial asset is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance account.

The Group and the Company measure the impairment loss on financial assets other than trade receivables and contract assets based on the two-step approach:

(1) 12-months ECL

For a financial asset for which there is no significant increase in credit risk since initial recognition, the Group and the Company shall measure the allowance for impairment for that financial asset at an amount based on the probability of default occurring within the next 12 months considering the loss given default of that financial asset.

(2) Lifetime ECL

For a financial asset for which there is a significant increase in credit risk since initial recognition, a lifetime ECL for that financial asset is recognised as allowance for impairment by the Group and the Company. If, in a subsequent period the significant increase in credit risk since initial recognition is no longer evident, the Group and the Company shall revert the loss allowance measurement from lifetime ECL to 12-months ECL.

Trade receivables and contract assets

The Group and the Company applies the simplified approach prescribed by MFRS 9 Financial Instruments, which require a lifetime ECL to be recognised from initial recognition of the trade receivables and contract assets.

(m) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(n) Employee benefits

(i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Some of the Group's foreign subsidiary companies also make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations

(o) Revenue and other income

The Group and the Company recognise revenue from contracts with customers based on five-step model as set out in MFRS 15:

(i) Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(iii) Determine the transaction price. The transaction price is the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

(iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group and the Company allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group and the Company expect to be entitled in exchange for satisfying each performance obligation.

(v) Recognise revenue when (or as) the Group and the Company satisfy a performance obligation.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(o) Revenue and other income *(cont'd)*

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:

(i) Do not create an assets with an alternative use to the Group and the Company and have an enforceable right to payment for performance completed to-date; or

(ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or

(iii) Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group and the Company satisfy a performance obligation by delivering the promised goods or services, it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

The Group's and the Company's revenue and other income is measured at fair value of consideration received or receivable.

(i) Sale of goods

Revenue from sales of goods is recognised at the point in time when control of the assets is transferred to the customers, generally upon the transfer of significant risk and rewards of ownership of the goods to the customer.

(ii) Rendering of services

Revenue from services rendered is recognised over time, as the benefits of rendering of services are simultaneously received and consumed by the customers.

(iii) Rental income of machinery and equipment

Rental income of machinery and equipment is accounted for on a straight-line basis over the lease terms.

(iv) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(v) Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

(vi) Interest income

Interest income is recognised on accruals basis using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets which necessarily take a substantial period of time to get ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group or the Company incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(q) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity or other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill or the initial recognition of assets and liabilities in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(q) Income taxes *(cont'd)*

(ii) Deferred tax *(cont'd)*

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Sales and Service Tax ("SST")

Revenue, expenses and assets are recognised net of SST except:

- where the SST incurred in a purchase of asset or service the SST is recognised as part of cost of acquisition of asset or as part of the expense item as applicable; and

- receivables and payables that stated with SST inclusive.

The SST payable to the taxation authority is included as part of payables in the statements of financial position.

The rate for Sales Tax is fixed at 5% or 10%, while the rate for Service Tax is fixed at 6%.

(s) Contract assets and liabilities

Contract asset is the right to consideration for goods or services transferred to the customers. When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract liability is the obligation to transfer goods or services to customer for which the Group and the Company have received the consideration or have billed the customer.

(t) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(u) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period. Diluted EPS is determined by adjusting the profit or loss attributable to owners of the parent and the weighted average number of ordinary shares in issue adjusted for the effects of all dilutive potential ordinary shares, which comprise the free warrants issued to shareholders.

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(w) Related parties

A party is related to an entity if:

(i) directly, or indirectly through one or more intermediaries, the party:
- control, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the entity; or
- has joint control over the entity;

(ii) the party is an associate of the entity;
(iii) the party is a joint venture in which the entity is a venturer;
(iv) the party is a member of the key management personnel of the entity or its parent;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) the party is an entity that is controlled, joint controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v);
(vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity; or
(viii) the party, or any member of a group of which the party is a part of, provides key management personnel services to the Company.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(x) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic participant that would use the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(x) Fair value measurement *(cont'd)*

For financial reporting purpose, the fair value measurements are analysed into level 1 to level 3 as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or in directly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

(y) Assets classified as held for sale

Non-current assets, or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sales rather than through continuing use, are classified as held for sales.

Immediately before classification as held for sales, the assets or components of a disposal group are measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group are measurement at the lower of their carrying amount and fair value less cost of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rate basis, except that no loss is allocated to inventories and financial assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sales and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sales are not depreciated. In addition, equity accounting of equity-accounted associates ceased once classified as held for sale.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the accounting policies of the Group and of the Company, the management is required to make judgements, estimates and assumptions about the carrying amounts of revenues, expenses, assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only for that period; or in the period of the revision and future periods if the revision affects both current and future periods.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(cont'd)*

(a) Useful lives of property, plant and equipment

The Group regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

(b) Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected selling prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories.

(c) Impairment assessment of financial assets

The Group recognises impairment losses for financial assets using the expected credit loss model based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(d) Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(e) Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value-in-use ("VIU") of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a VIU amount requires management to make an estimate of the expected future cash flows from the CGU and also choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of carrying amount, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are disclosed in Note 7 to the financial statement.

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Leasehold land and buildings	Furniture and fittings	Motor vehicles	Office equipment and fixtures	Plant and machinery	Renovation	Tools and equipment	Mould and blocks	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group										
2021										
Cost										
At 1 September 2020	1,587,865	37,322,176	707,028	7,096,448	1,567,413	38,641,472	1,803,447	3,942,739	708,210	93,376,798
Acquisition of subsidiary	-	-	41,875	-	46,237	306,121	-	68,895	-	463,128
Additions	-	599,001	-	451,140	430,639	921,220	6,300	3,900	-	2,412,200
Disposals	-	-	-	(607,000)	-	(25,000)	(16,000)	(54,000)	-	(702,000)
Transferred to inventories	-	-	-	(43,248)	-	-	-	-	-	(43,248)
At 31 August 2021	1,587,865	37,921,177	748,903	6,897,340	2,044,289	39,843,813	1,793,747	3,961,534	708,210	95,506,878
Accumulated depreciation										
At 1 September 2020	48,779	3,650,876	349,286	5,022,699	814,373	20,658,132	456,674	1,666,775	694,300	33,361,894
Acquisition of subsidiary	-	-	26,268	-	37,740	211,254	-	41,662	-	316,924
Charge for the financial year	12,703	1,331,583	39,431	478,247	170,433	2,464,232	172,490	158,492	9,919	4,837,530
Disposals	-	-	-	(393,495)	-	(10,208)	(4,000)	(6,000)	-	(413,703)
Transferred to inventories	-	-	-	(2,601)	-	-	-	-	-	(2,601)
At 31 August 2021	61,482	4,982,459	414,985	5,104,850	1,022,546	23,323,410	625,164	1,860,929	704,219	38,100,044
Carrying amount										
At 31 August 2021	1,526,383	32,938,718	333,918	1,792,490	1,021,743	16,520,403	1,168,583	2,100,605	3,991	57,406,834

5. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

	Freehold land and buildings RM	Leasehold land and buildings RM	Furniture and fittings RM	Motor vehicles RM	Office equipment and fixtures RM	Plant and machinery RM	Renovation RM	Tools and equipment RM	Mould and blocks RM	Total RM
Group										
2020										
Cost										
At 1 September 2019	2,034,065	37,512,942	798,612	6,821,000	1,771,674	34,093,582	2,000,015	5,696,999	708,210	91,437,099
Additions	-	247,865	1,125	902,020	68,782	2,621,042	30,235	897,325	-	4,768,394
Disposals	-	-	-	(626,572)	-	-	-	-	-	(626,572)
Written off	-	-	(92,709)	-	(273,043)	(713,861)	(226,803)	(10,876)	-	(1,317,292)
Reclassification	-	-	-	-	-	2,640,709	-	(2,640,709)	-	-
Reclassified to assets classified as held for sale (Note 13)	(446,200)	(438,631)	-	-	-	-	-	-	-	(884,831)
At 31 August 2020	1,587,865	37,322,176	707,028	7,096,448	1,567,413	38,641,472	1,803,447	3,942,739	708,210	93,376,798
Accumulated depreciation										
At 1 September 2019	126,668	2,529,122	399,127	4,726,461	905,773	17,488,314	517,760	2,459,077	659,877	29,812,179
Charge for the financial year	15,827	1,243,796	41,546	638,969	179,265	2,422,679	165,714	219,050	34,423	4,961,269
Disposals	-	-	-	(342,731)	-	-	-	-	-	(342,731)
Written off	-	-	(91,387)	-	(270,665)	(255,128)	(226,800)	(9,085)	-	(853,065)
Reclassification	-	-	-	-	-	1,002,267	-	(1,002,267)	-	-
Reclassified to assets classified as held for sale (Note 13)	(93,716)	(122,042)	-	-	-	-	-	-	-	(215,758)
At 31 August 2020	48,779	3,650,876	349,286	5,022,699	814,373	20,658,132	456,674	1,666,775	694,300	33,361,894
Carrying amount										
At 31 August 2020	1,539,086	33,671,300	357,742	2,073,749	753,040	17,983,340	1,346,773	2,275,964	13,910	60,014,904

NOTES TO THE FINANCIAL STATEMENTS
31 August 2021
cont'd

5. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

(a) Right-of-use assets

The carrying amount of right-of-use assets included in property, plant and equipment are as follows:

	Leasehold land and buildings RM	Motor vehicles RM	Plant and machinery RM	Total RM
Group				
2021				
Cost				
At 1 September 2019	-	-	-	-
Effect of adoption of MFRS 16	37,512,942	2,091,097	168,120	39,772,159
Additions	247,865	420,174	1,257,700	1,925,739
Disposals	-	(433,572)	-	(433,572)
Reclassified to assets classified as held for sale	(438,631)	-	-	(438,631)
At 31 August 2020/ 1 September 2020	37,322,176	2,077,699	1,425,820	40,825,695
Additions	599,001	-	-	599,001
Disposals	-	(247,258)	-	(247,258)
Reclassification	-	(872,604)	-	(872,604)
At 31 August 2021	37,921,177	957,837	1,425,820	40,304,834
Accumulated depreciation				
At 1 September 2019	-	-	-	-
Effect of adoption of MFRS 16	2,529,122	874,169	75,654	3,478,945
Charge for the financial year	1,243,796	415,579	69,733	1,729,108
Disposals	-	(195,107)	-	(195,107)
Reclassified to assets classified as held for sale	(122,042)	-	-	(122,042)
At 31 August 2020/ 1 September 2020	3,650,876	1,094,641	145,387	4,890,904
Charge for the financial year	1,331,583	203,307	96,512	1,631,402
Disposals	-	(131,871)	-	(131,871)
Reclassification	-	(590,976)	-	(590,976)
At 31 August 2021	4,982,459	575,101	241,899	5,799,459
Carrying amount				
At 31 August 2021	32,938,718	382,736	1,183,921	34,505,375
At 31 August 2020	33,671,300	983,058	1,280,433	35,934,791

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

5. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

(a) Right-of-use assets *(cont'd)*

The Group has motor vehicles and plant and machinery with lease term of 3 to 9 years.

Included in leasehold land and buildings are operating lease agreements entered into by the Group for the use of staff hostel, office and warehouse with carrying amount of RM483,141 (2020: RM4,071). The leases are mainly with lease term of 2 to 5 years.

(b) Assets pledged as securities to financial institutions

The carrying amount of property, plant and equipment of the Group and the Company pledged as securities for bank borrowings as disclosed in Note 18 to the financial statements are:

	Group	
	2021	**2020**
	RM	**RM**
Freehold land and buildings	1,526,383	1,539,086
Leasehold land and buildings	32,185,959	33,388,493
	33,712,342	34,927,579

(c) Addition of property, plant and equipment of the Group and of the Company during the year was acquired by the following means:

	Group	
	2021	**2020**
	RM	**RM**
Addition of property, plant and equipment	2,412,200	4,768,394
Less: Acquired with lease	(599,001)	(1,477,929)
Less: Transfer from inventories	(436,340)	-
Acquired by cash payments	1,376,859	3,290,465

(d) Included in leasehold land and buildings is an amount of RM32,455,577 (2020: RM33,667,229) with remaining lease period ranging from 17 to 77 years (2020: 18 to 78 years).

6. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2021	**2020**
	RM	**RM**
Unquoted shares, at cost	99,721,536	99,721,536
Additions	280,000	-
Less: Accumulated impairment losses	(16,462,754)	(17,078,409)
	83,538,782	82,643,127

NOTES TO THE FINANCIAL STATEMENTS
31 August 2021
cont'd

6. INVESTMENT IN SUBSIDIARY COMPANIES *(cont'd)*

The movement in the allowance for impairment losses is as follows:

	Company	
	2021	2020
	RM	RM
At 1 September	17,078,409	208,125
(Reversal)/addition of impairment loss	(615,655)	16,870,284
At 31 August	16,462,754	17,078,409

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Effective interest		Principal activities
		2021	2020	
		%	%	
Direct interest:				
SCH Corporation Sdn. Bhd. ("SCH Corporation")	Malaysia	100	100	Investment holding
SCH Wire-Mesh Manufacturing Sdn. Bhd.	Malaysia	100	100	Manufacturing, distributing and supplying of quarry grill
SCH Machinery & Equipment Sdn. Bhd.	Malaysia	100	100	Supplying and distributing quarry machinery, quarry equipment and reconditioned quarry machinery as well as spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery to the quarry industry
Sin Chee Heng (Cambodia) Co., Ltd*#	Cambodia	100	100	Supplying and distributing quarry machinery, quarry equipment and reconditioned quarry machinery as well as spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery to the quarry industry

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

6. INVESTMENT IN SUBSIDIARY COMPANIES *(cont'd)*

Details of the subsidiary companies are as follows: *(cont'd)*

Name of company	Country of incorporation	Effective interest 2021 %	Effective interest 2020 %	Principal activities
Direct interest:				
TK Rentals Sdn. Bhd.	Malaysia	100	100	Business of renting and trading of mobile air conditioner, tent and event related equipment and tools, forklift and industrial battery
PK Fertilizers (Sarawak) Sdn. Bhd.	Malaysia	83.33	83.33	Business of manufacturing, merchandising, trading, distribution and wholesale warehouseman of fertilisers
Sin Chee Heng (Kuantan) Sdn. Bhd.	Malaysia	100	100	Distributing all kinds of quarry products to the quarry industry
PK Fert Sdn. Bhd. (FKA Multifert Sdn. Bhd.)	Malaysia	100	-	Business of trading, marketing and distribution of fertilisers
Indirect interest:				
Held through SCH Corporation				
Sin Chee Heng Sdn. Bhd. ("Sin Chee Heng")	Malaysia	100	100	Supplying and distributing all kinds of quarry industrial products and quarry machinery
Sin Chee Heng (Butterworth) Sdn. Bhd.	Malaysia	100	100	Distributing all kinds of quarry products to the quarry industry
Sin Chee Heng (Johore) Sdn. Bhd. ^	Malaysia	50	50	Distributing all kinds of quarry products to the quarry industry

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

6. INVESTMENT IN SUBSIDIARY COMPANIES *(cont'd)*

Details of the subsidiary companies are as follows: *(cont'd)*

Name of company	Country of incorporation	Effective interest 2021 %	Effective interest 2020 %	Principal activities
Indirect interest:				
Held through Sin Chee Heng				
Sin Chee Heng (Sabah) Sdn. Bhd.	Malaysia	100	100	Distributing all kinds of quarry products to the quarry industry
Sin Chee Heng (Sarawak) Sdn. Bhd.	Malaysia	100	100	Distributing all kinds of quarry products to the quarry industry
Sin Chee Heng (Johore) Sdn. Bhd. ^	Malaysia	50	50	Distributing all kinds of quarry products to the quarry industry

* *Subsidiary companies not audited by ECOVIS MALAYSIA PLT.*

^ *The auditors' report of this subsidiary contains a material uncertainty related to going concern relating the appropriateness of the going concern basis used in the preparation of its financial statements. The holding Company has confirmed to provide continued financial support to this subsidiary to continue its business without any significant curtailment of its operations.*

This subsidiary is consolidated based on its unaudited management account as at 31 August 2021. The subsidiary is an insignificant component of the Group and it is in the midst of strike off.

a. Impairment loss

During the year, the Company had conducted a review of the recoverable amount of its investment in certain subsidiary companies at the reporting date.

(Reversal)/addition of impairment loss of RM615,655 (2020: RM16,870,284) was recognised during the financial year. The recoverable amount are determined adjusted net assets or value in use of the respective subsidiary companies as at the end of the reporting period less cost of investment.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

6. INVESTMENT IN SUBSIDIARY COMPANIES *(cont'd)*

b. Acquisition of subsidiaries

i. The Group had completed the acquisition of 100% of the issued and paid-up share capital of PK Fert Sdn. Bhd. (formerly known as Multifert Sdn. Bhd.) for a total consideration of RM180,000 on 6 October 2020. The acquisition had the following effects to the Group as at the date of acquisition:

	Group
	RM
Identifiable assets acquired and liabilites assumed	
Property, plant and equipment	146,204
Trade and other receivables	1,499,745
Cash and cash equivalents	87,355
Trade and other payables	(1,608,871)
Current tax liabilities	(5,926)
Net assets acquired	118,507
Goodwill	61,493
Purchase consideration	180,000
Net cash outflow arising from acquisition of a subsidiary:	
Purchase consideration	180,000
Less: Cash and cash equivalents of the subsidiary acquired	(87,355)
	92,645

ii. On 25 February 2021, the Company acquired 100% of the issued and paid-up share capital of Sin Chee Heng (Kuantan) Sdn. Bhd. for a total consideration of RM100,000 from its wholly owned subsidiary, SCH Corporation Sdn. Bhd.. The acquisition did not resulted any impact to the financial statements of the Group.

c. Material non-controlling interest in a subsidiary

	2021	**2020**
	RM	**RM**
NCI percentage of ownership interest and voting interest	16.67%	16.67%
Carrying amount of NCI	4,019,998	3,745,742
Profit allocated to NCI	274,256	103,567

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

6. INVESTMENT IN SUBSIDIARY COMPANIES *(cont'd)*

c. Material non-controlling interest in a subsidiary *(cont'd)*

Summarised financial information before intra-group elimination

	2021 RM	2020 RM
As at 31 August		
Non-current assets	18,199,777	19,531,012
Current assets	41,790,387	46,222,408
Non-current liabilities	(15,274,891)	(15,907,976)
Current liabilities	(23,026,572)	(29,928,941)
Net assets	21,688,701	19,916,503
Year ended 31 August		
Revenue	68,944,030	81,633,023
Income for the year	1,772,198	924,377

7. GOODWILL ON CONSOLIDATION

	Group	
	2021 RM	2020 RM
At 1 September	19,214,476	28,756,903
Acquisition of a subsidiary	61,493	-
Impairment loss during the year	-	(9,542,427)
At 31 August	19,275,969	19,214,476

Movement in the impairment losses of goodwill is as follows:

	Group	
	2021 RM	2020 RM
At 1 September	9,542,427	-
Addition	-	9,542,427
At 31 August	9,542,427	9,542,427

NOTES TO THE FINANCIAL STATEMENTS
31 August 2021
cont'd

7. GOODWILL ON CONSOLIDATION *(cont'd)*

Impairment test for goodwill

The Group undertakes an annual test for impairment of its cash-generating units ("CGU") consisting of a subsidiary and a equipment rental segment.

Impairment loss amounted Nil (2020: RM9,542,427) was recognised as at 31 August 2021 as the carrying amount was in excess of the recoverable amount of the CGU for the equipment rental segment.

The recoverable amount of the CGU are determined based on the value-in-use ("VIU") calculations. Cash flows are derived from financial budgets approved by the Directors covering over ten-year period that reflects the majority of the assets' useful life. The projection reflects management's expectation of revenue growth for the CGU based on the expectations of market growth.

Key assumptions used in VIU calculations are as follows:

	2021	2020
Revenue growth rate	Range from 10% to 57% for the first six year-period and 5% for the next four-year period	Range from 0% to 48% for the first four-year period and 10% for the next six-year period
Pre-tax discount rate	11.42%	18.60%

The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, the Directors concluded that no reasonable possible changes in the assumptions would cause the carrying amount of the CGU to exceed their recoverable amounts.

8. TRADE RECEIVABLES

	Group	
	2021	2020
	RM	RM
Non-current:		
Trade receivables	-	11,250
Current:		
Trade receivables	42,656,391	51,917,776
Less: Impairment loss	(1,870,831)	(3,333,865)
	40,785,560	48,583,911
Total trade receivables	42,656,391	51,929,026
Less: Impairment loss	(1,870,831)	(3,333,865)
	40,785,560	48,595,161

Trade receivables are non-interest bearing and are generally on credit term of 30 to 120 days (2020: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables is an amount of RM3,511,017 (2020: RM2,426,572) due from related parties.

NOTES TO THE FINANCIAL STATEMENTS
31 August 2021
cont'd

8. TRADE RECEIVABLES *(cont'd)*

Movement in the allowance for impairment losses of trade receivables is as follows:

	Group	
	2021	**2020**
	RM	**RM**
At 1 September	3,333,865	1,406,227
Net impairment loss during the financial year		
- lifetime ECL allowances	(113,827)	211,119
- specific allowances	217,058	1,716,519
Amount written off	(1,566,265)	-
At 31 August	1,870,831	3,333,865

	Group	
	2021	**2020**
	RM	**RM**
At 31 August		
Accumulated impairment losses		
- lifetime ECL allowances	335,349	449,176
- specific allowances	1,535,482	2,884,689
	1,870,831	3,333,865

(a) Trade receivables on deferred payment terms

The Group has arrange for past due receivables amounting RM78,750 (2020: RM1,123,899) at reporting data to settle their balances under monthly instalment agreement with no interest charged and tenure ranging between 24 months (2020: 24 and 36 months).

Analysis of trade receivables on deferred payment terms are as follows:

	Group	
	2021	**2020**
	RM	**RM**
Nominal value		
At 1 September	1,140,782	1,716,798
Repayment	(1,062,032)	(576,016)
At 31 August	78,750	1,140,782
Discount		
At 1 September	16,883	112,683
Less: Unwinding of discount	(16,883)	(95,800)
At 31 August	-	16,883
Net carrying amount	78,750	1,123,899

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

8. TRADE RECEIVABLES *(cont'd)*

(a) Trade receivables on deferred payment terms *(cont'd)*

Analysis of trade receivables ageing at end of the financial year is as follows:

	Gross amount RM	Impairment loss RM	Carrying amount RM
2021			
Not past due	16,742,806	(20,574)	16,722,232
Past due			
Less than 30 days	10,650,615	(19,301)	10,631,314
31 to 60 days	5,094,865	(3,993)	5,090,872
61 to 90 days	1,792,822	(2,573)	1,790,249
91 to 120 days	648,188	-	648,188
More than 120 days	7,727,095	(1,824,390)	5,902,705
	25,913,585	(1,850,257)	24,063,328
	42,656,391	(1,870,831)	40,785,560
2020			
Not past due	21,198,775	(203,970)	20,994,805
Past due			
Less than 30 days	8,266,728	(55,852)	8,210,876
31 to 60 days	4,222,050	(8,602)	4,213,448
61 to 90 days	7,603,783	(91,947)	7,511,836
91 to 120 days	2,152,207	(4,095)	2,148,112
More than 120 days	8,485,483	(2,969,399)	5,516,084
	30,730,251	(3,129,895)	27,600,356
	51,929,026	(3,333,865)	48,595,161

<u>Trade receivables that are neither past due nor impaired</u>

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

<u>Trade receivables that are past due but not impaired</u>

The Group believes that no impairment allowance is necessary in respect of these trade receivables which are past due but not impaired as they are substantially entities with good collection track record and no recent history of default.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

9. OTHER RECEIVABLES

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Non-current:				
Other receivable	50,000	275,000	-	-
Current:				
Other receivables	1,791,915	11,076,917	736	10,219,739
Deposits	466,854	378,566	1,000	1,000
Prepayments	3,783,961	693,425	600,500	15,098
	6,042,730	12,148,908	602,236	10,235,837
Total other receivable	6,092,730	12,423,908	602,236	10,235,837

10. INVENTORIES

	Group	
	2021	2020
	RM	RM
At cost/net realisable value		
Raw materials	14,423,702	3,535,731
Work in progress	2,401	2,508
Finished goods	14,048,718	13,493,589
Goods in transit	1,162,502	2,640,185
	29,637,323	19,672,013
Recognised in profit or loss:		
Inventories written down	126,875	2,550,459
Inventories written off	-	67,552
Cost of inventories included in cost of sales	90,345,308	91,748,619

11. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

Amount due from/(to) subsidiary companies are non-interest bearing, unsecured and repayable/(payable) on demand in cash and cash equivalents.

12. FIXED DEPOSITS WITH FINANCIAL INSTITUTIONS

Fixed deposit of the Group amounting to RM20,000 (2020: RM20,000) has been pledged to guarantee facility granted by financial institution for Tenaga Nasional Berhad.

The interest rates and maturities of the fixed deposits range from 1.65% to 1.85% (2020: 1.70% to 3.40%) per annum and 7 to 31 days (2020: 7 to 365 days), respectively.

13. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2021	2020
	RM	RM
As at 1 September	669,073	-
Reclassified from property, plant and equipment (Note 5)	-	669,073
Disposal during the year	(669,073)	-
As at 31 August	-	669,073

(a) On 18 September 2020, a subsidiary company, Sin Chee Heng (Butterworth) Sdn. Bhd. entered into a sales and purchase agreement with third party to dispose a freehold land and building for a total consideration of RM770,000.

(b) On 6 November 2020, a subsidiary company, Sin Chee Heng (Sabah) Sdn. Bhd. entered into a sales and purchase agreement with third party to dispose a leasehold land and building for a total consideration of RM1,540,000.

14. SHARE CAPITAL

	Group and Company			
	Number of Ordinary Shares		Amount	
	2021	2020	2021	2020
	Units	Units	RM	RM
Issued and fully paid				
At beginning of the financial year	555,511,720	555,511,720	75,917,971	75,917,971
Shares consolidated	(370,341,984)	-	-	-
Exercise of warrants	803,100	-	240,930	-
At end of the financial year	185,972,836	555,511,720	76,158,901	75,917,971

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

14. SHARE CAPITAL *(cont'd)*

Warrants 2016/2021

On 8 December 2016, the Company completed a bonus issue of 206,117,010 free detachable warrants ("Warrants") on the basis of one warrant for every two ordinary shares held by the entitled shareholders on 29 November 2016.

The Warrants are constituted by the Deed Poll dated 14 November 2016 ("Deed Poll").

Salient features of the Warrants are as follow:

(i) Each Warrant entitles the Warrant holder to subscribe for one new ordinary shares in the Company at the exercise price of RM0.30 during the 5-year period expiring on 4 December 2021 ("exercise period"), subject to the adjustments in accordance with Deed Poll constituting the Warrants, the exercise price is adjusted from RM0.10 to RM0.30 upon consolidated of Warrants on 12 March 2021;

(ii) At the expiry of the exercise period, any Warrants which have not been exercised shall automatically lapse and cease to be valid for any purpose;

(iii) The Warrant holders are not entitled to any voting rights or participation in any distribution and/or offer of securities in the Company, until and unless the warrant holders are issued with new ordinary shares of the Company arising from their exercise of the Warrants; and

(iv) The new ordinary shares to be issued upon exercise of the Warrants shall, upon issue and allotment, rank pari passu in all respects with existing ordinary shares of the Company except that they will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid by the Company prior to the date of allotment of the new ordinary shares to be issued arising from the exercise of the Warrants.

The movement of warrants during the financial year are as follows:

	Group and Company	
	2021	**2020**
	Number	**Number**
Balance as at 1 September	205,839,310	205,839,310
Warrants consolidated	(137,226,801)	-
Exercise of warrants	(803,100)	-
Balance unexercised as at 31 August	67,809,409	205,839,310

At the end of the financial year, 67,809,409 (2020: 205,839,310) Warrants remained unexercised.

15. MERGER DEFICIT

Merger deficit arises from the difference between the nominal value of shares issued by the Company and the nominal value of shares of subsidiaries acquired under the merger method of accounting.

16. FOREIGN CURRENCY TRANSLATION RESERVE

Foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

NOTES TO THE FINANCIAL STATEMENTS
31 August 2021
cont'd

17. LEASE LIABILITIES

	Group	
	2021	2020
	RM	RM
Current liabilities	399,372	472,124
Non-current liabilities	1,422,082	1,537,088
	1,821,454	2,009,212

The maturity analysis of lease liabilities as follows:-

	2021	2020
	RM	RM
Minimum lease payments		
Within one year	476,775	538,706
Later than one year and not later than two years	450,061	465,207
Later than two years and not later than five years	935,329	928,006
Later than five year	179,297	374,970
	2,041,462	2,306,889
Less: Future finance charges	(220,008)	(297,677)
Present value of minimum lease payments	1,821,454	2,009,212

	Group	
	2021	2020
	RM	RM
Present value of minimum lease payments		
Within one year	399,372	472,124
Later than one year and not later than two years	391,500	364,822
Later than two years and not later than five years	855,679	815,673
Later than five year	174,903	356,593
	1,821,454	2,009,212
Analysed as:		
Repayable within twelve months	399,372	472,124
Repayable after twelve months	1,422,082	1,537,088
	1,821,454	2,009,212

Lease interest of the Group ranges from 3.19% to 5.58% (2020: 3.96% to 8.74%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

18. BANK BORROWINGS

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Secured				
Bankers' acceptances	12,235,168	1,966,093	-	-
Invoice financing	914,247	1,653,999	-	-
Term loans	46,640,414	52,807,313	30,423,208	35,588,988
	59,789,829	56,427,405	30,423,208	35,588,988
Analysed as:				
Current				
Bankers' acceptances	12,235,168	1,966,093	-	-
Invoice financing	914,247	1,653,999	-	-
Term loans	4,690,510	36,856,815	3,973,208	35,588,988
	17,839,925	40,476,907	3,973,208	35,588,988
Non-current				
Term loans	41,949,904	15,950,498	26,450,000	-
	59,789,829	56,427,405	30,423,208	35,588,988

The bank borrowings are secured by the following:

(a) Legal charge over certain freehold and leasehold land and buildings of the Group as disclosed in Note 5 to the financial statements;

(b) Corporate guarantee by the Company and a subsidiary company, Sin Chee Heng Sdn. Bhd.; and

(c) Pledge of ordinary shares of two subsidiaries, TK Rentals Sdn. Bhd. and PK Fertilizers (Sarawak) Sdn. Bhd. by way of first party Open All Monies Memorandum of Deposits.

Significant covenants

The term loans of the Company are subject to the following financial covenants:-

(a) Gearing ratio shall not exceed 2.0 times; and
(b) Debt service cover ratio shall not less than 1.5 times.

As at previous financial year 31 August 2020, the Company was unable to meet the financial convenant of maintaining the debt service cover ratio not less than 1.5 times due to the loss incurred, subsequently, the Company has obtained the approval from the bank, granted the indulgence (waiver) for not meeting the debt service cover ratio.

18. BANK BORROWINGS *(cont'd)*

Maturity of bank borrowings is as follows:

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Within one year	17,839,925	40,476,907	3,973,208	35,588,988
Between one and two years	7,861,572	1,276,906	6,600,000	-
Between two and five years	23,674,109	3,888,340	19,850,000	-
After five years	10,414,223	10,785,252	-	-
	41,949,904	15,950,498	26,450,000	-

The range of effective interest rates per annum on bank borrowings of the Group and of the Company as at reporting date are as follows:

	Group		Company	
	2021	2020	2021	2020
	%	%	%	%
Bankers' acceptances	1.56 - 3.44	2.13 - 7.49	-	-
Invoice financing	6.45	6.45 - 6.70	-	-
Term loans	3.19 - 4.70	3.19 - 4.70	4.50	4.50

19. DEFERRED TAX LIABILITIES

	Group	
	2021	2020
	RM	RM
At 1 September	7,055,485	7,088,342
Recognised in profit or loss (Note 26)	(515,490)	(32,857)
At 31 August	6,539,995	7,055,485

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

19. DEFERRED TAX LIABILITIES *(cont'd)*

The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follow:

	Group	
	2021	2020
	RM	RM
Deferred tax liabilities	6,896,135	7,385,094
Deferred tax assets	(356,140)	(329,609)
	6,539,995	7,055,485

The components and movement of deferred tax liabilities and assets are as follows:

	Contract liabilities	Property, plant and equipment	Unabsorbed capital allowance and unutilised tax losses	Total
	RM	RM	RM	RM
Group				
2021				
At 1 September	-	7,385,094	(329,609)	7,055,485
Recognised in profit or loss (Note 26)	(62,220)	(488,959)	35,689	(515,490)
At 31 August	(62,220)	6,896,135	(293,920)	6,539,995
2020				
At 1 September	-	7,640,603	(552,261)	7,088,342
Recognised in profit or loss (Note 26)	-	(255,509)	222,652	(32,857)
At 31 August	-	7,385,094	(329,609)	7,055,485

Deferred tax assets have not been recognised in respect of the following temporary differences:

	Group	
	2021	2020
	RM	RM
Unabsorbed capital allowances	1,295,828	398,070
Unused tax losses	14,871,579	3,733,185
	16,167,407	4,131,255

Deferred tax assets have not been recognised in respect of those items as those companies in the Group may not have sufficient future taxable profits from which the above can be utilised or they have arisen in subsidiary companies that have a recent history of losses.

NOTES TO THE FINANCIAL STATEMENTS
31 August 2021
cont'd

20. TRADE PAYABLES

Credit terms of trade payables of the Group range from 30 to 180 (2020: 30 to 180) days, depending on the term of the contracts.

Included in trade payables is an amount of RM2,867,530 (2020: RM10,984,352) due to related parties.

21. OTHER PAYABLES

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Other payables	1,937,878	855,537	17,244	4,499
Accruals	2,754,583	2,359,931	78,500	48,300
Deposits	4,254	11,854	-	-
	4,696,715	3,227,322	95,744	52,799

Included in other payables is an amount of RM16,260 (2020: RM16,260) due to related party.

22. REVENUE

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Dividend income	-	-	5,250,000	5,960,000
Sales of goods	115,116,796	113,927,111	-	-
Rendering of services	697,711	444,570	-	-
Rental income of machinery and equipment	7,225,755	6,914,339	-	-
	123,040,262	121,286,020	5,250,000	5,960,000
Timing of revenue recognition				
- at a point in time	115,116,796	113,927,111	5,250,000	5,960,000
- over time	7,923,466	7,358,909	-	-
	123,040,262	121,286,020	5,250,000	5,960,000

NOTES TO THE FINANCIAL STATEMENTS
31 August 2021
cont'd

22. REVENUE *(cont'd)*

(a) Contract assets and contract liabilities

Contract asset primarily related to the Group's right to consideration for work completed but not yet billed at the reporting date for consultancy services provided for rental income of machinery and equipment project. Contract assets are transferred to receivables when the rights become unconditional at the point of invoicing to customers.

Contract liabilities primarily related to the Group's advance billing for those rental of machinery and equipment's lease term are after the reporting date. Contract liabilities are recognised as revenue when those lease term had end.

The Group has a right to consideration from a customer in an amount that corresponds directly with the value of goods transferred, and the Directors expect the remaining performance obligation to be fulfilled within one year or less. Consequently, no disclosure is necessary when applying practical expedient in MFRS 15.

23. FINANCE COSTS

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Interest expenses on:				
Bankers' acceptances	258,021	373,832	-	-
Bank guarantees	-	360	-	-
Trust receitps and letter of credit	33,723	31,675	-	-
Lease liabilities	100,717	66,665	-	-
Invoice financing	105,396	6,467	-	-
Term loans	2,103,697	2,899,443	1,521,884	1,887,110
	2,601,554	3,378,442	1,521,884	1,887,110

NOTES TO THE FINANCIAL STATEMENTS
31 August 2021
cont'd

24. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is determined after charging/(crediting) amongst other, the following items:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Auditors' remuneration				
- Statutory				
- Current year	198,000	181,000	47,000	39,000
- Underprovision in prior years	12,000	69,200	3,000	15,700
Bad debts recovery	(12,125)	-	-	-
Bad debts written off	3,680	256,629	-	-
(Reversal)/addition of impairment loss on investment in subsidiaries	-	-	(615,655)	16,870,284
Depreciation of property, plant and equipment	4,837,530	4,961,269	-	-
Deposit written off	-	3,300	-	-
Foreign exchange loss/(gain)				
- realised	292,999	(103,665)	3,405	-
- unrealised	(131,436)	110,896	-	-
Inventories written down	126,875	2,550,459	-	-
Inventories written off	-	67,552	-	-
Impairment loss of goodwill	-	9,542,427	-	-
Net impairment loss on trade receivables:				
- lifetime ECL allowance	(113,827)	211,119	-	-
- specific allowance	217,058	1,716,519	-	-
Property, plant and equipment written off	-	464,227	-	-
Rental of equipments*	996,312	547,813	-	-
Rental of lorry*	195,120	195,120	-	-
Rental of premises*	676,800	687,200	-	-
Staff cost (excluding Directors' remuneration)				
- salaries, wages and allowance	8,638,971	9,332,721	-	-
- contribution to defined contribution plan	779,468	845,209	-	-
- Social security contribution	94,042	102,710	-	-
- other employee benefits	247,642	302,218	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

24. PROFIT/(LOSS) BEFORE TAX *(cont'd)*

Profit/(loss) before tax is determined after charging/(crediting) amongst other, the following items: *(cont'd)*

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Finance income:				
- unwinding of discount on trade receivables	(16,882)	(95,800)	-	-
- interest income	(277,423)	(396,501)	(133,381)	(153,720)
Gain on profit guarantee	-	(10,216,739)	-	(10,216,739)
Gain on disposal of property, plant and equipment and assets held for sale	(1,428,174)	(45,652)	-	-
Gain on derecognition of lease	(1,037)	-	-	-
Insurance compensation	-	(763,774)	-	-
Rent concession income	(13,000)	-	-	-
Rental income	(10,050)	(27,350)	-	-

* *The amount represent short-term leases and low value underlying assets under MFRS 16.*

25. DIRECTORS' REMUNERATION

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Directors of the Group and of the Company				
Executive:				
- Salary and other emoluments	716,430	1,121,567	7,000	5,000
- Contribution to defined plan	61,494	46,026	-	-
	777,924	1,167,593	7,000	5,000
Non-executive:				
- Fees	162,081	144,500	162,081	144,500
- Salary and other emoluments	17,000	12,000	17,000	12,000
	957,005	1,324,093	186,081	161,500

25. DIRECTORS' REMUNERATION *(cont'd)*

The number of Directors of the Group and of the Company whose total remuneration fall within the following bands for the financial year ended 31 August 2021 is as follows:

	Group		Company	
	No. of Directors		No. of Directors	
	Executive	Non-executive	Executive	Non-executive
Range of remuneration:-				
Below RM50,000	-	5	2	5
RM50,001-RM100,000	-	-	-	-
RM100,001-RM150,000	-	-	-	-
RM150,001-RM200,000	-	-	-	-
RM200,001-RM250,000	-	-	-	-
RM250,001-RM300,000	1	-	-	-
RM300,001-RM350,000	-	-	-	-
RM350,001-RM400,000	-	-	-	-
RM400,001-RM450,000	1	-	-	-
RM450,001-RM500,000	-	-	-	-

26. TAXATION

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Tax expense recognised in profit or loss				
Current tax:				
Malaysian income tax	907,089	275,757	30,501	35,478
(Over)/Underprovision in prior years	(1,770,354)	28,576	(45)	651
	(863,265)	304,333	30,456	36,129
Deferred tax (Note 19):				
Current year	(321,396)	231,530	-	-
Overprovision in prior years	(194,094)	(264,387)	-	-
	(515,490)	(32,857)	-	-
	(1,378,755)	271,476	30,456	36,129

NOTES TO THE FINANCIAL STATEMENTS
31 August 2021
cont'd

26. TAXATION *(cont'd)*

Malaysian income tax is calculated at the statutory tax rate of 24% (2020: 24%) of the estimated assessable profit/(loss) for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expenses applicable to profit/(loss) before tax at the statutory tax rate to income tax expenses at the effective income tax of the Group and the Company are as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Profit/(loss) before tax	537,171	(7,619,993)	3,787,131	(2,877,683)
Taxation at statutory tax rate of 24% (2020: 24%)	128,921	(1,828,798)	908,911	(690,644)
Expenses not deductible for tax purposes	2,240,574	5,822,360	104,654	4,091,042
Income not subject to tax	(1,093,734)	(3,603,106)	(983,064)	(3,364,920)
Deferred tax assets not recognised	37,257	274,085	-	-
Utilisation of previously unrecognised tax benefits	(727,325)	(157,254)	-	-
Overprovision of deferred tax in prior years	(194,094)	(264,387)	-	-
(Over)/Underprovision of income tax in prior years	(1,770,354)	28,576	(45)	651
Tax (income)/expense for the financial year	(1,378,755)	271,476	30,456	36,129

The Group has estimated unused tax losses and unabsorbed capital allowances of RM2,520,495 and RM14,871,579 (2020: RM3,771,114 and RM1,733,510) respectively available for set-off against future taxable profit.

The availability of unused tax losses for offsetting against future taxable profits of the Company is subject to the requirements under the Income Tax Act 1967 and guidelines issued by the Inland Revenue Board.

With effect from the year of assessment 2019, unused tax losses are allowed to be carried forward up to maximum of seven (7) years of assessments under the current tax legislation in Malaysia. The other temporary differences does not expires under tax legislation.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

27. EARNINGS PER SHARE ("EPS")

(a) Basic EPS

The basic EPS are calculated based on the consolidated profit for the financial year attributable to the owners of the Company and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2021	**2020**
Profit/(loss) attributable to owners of the Company (RM)	1,641,670	(7,995,036)
Weighted average number of ordinary shares at 31 August (unit)	239,968,280	239,631,423
Basic EPS (sen)	0.68	(3.34)

(b) Diluted EPS

For the purpose of calculating diluted earnings per share, the profit/(loss) attributable to owners of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares.

	Group	
	2021	**2020**
Profit/(loss) attributable to owners of the Company (RM)	1,641,670	(7,995,036)
Weighted average number of ordinary shares in issue (unit)	239,968,280	239,631,423
Effects for dilution on conversion of warrants (unit)	-*	-*
Adjusted weighted average number of ordinary shares for diluted EPS (unit)	-*	-*
Diluted earnings/(loss) per ordinary share (sen)	0.68	(3.34)

* *The effect of potential ordinary shares ongoing from the exercise of warrants was anti-dilutive and accordingly was excluded from the diluted earnings per share computation above.*

Comparative figures for the weighted average number of ordinary shares in issue for both the basic and diluted earnings per ordinary share computations have been retrospectively adjusted to reflect the adjustments arising from the share consolidation and Rights Issue, which were completed on 12 March 2021 and 29 October 2021, respectively.

The exercise price of the Rights issued by the Company subsequent to the financial year is lower than the fair value of its ordinary shares. The bonus element inherent in such a Rights Issue necessitate the retrospective adjustment of prior year EPS and DPS.

NOTES TO THE FINANCIAL STATEMENTS
31 August 2021
cont'd

28. BANK GUARANTEE

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Corporate guarantees given to licensed banks to secure credit facilities granted to the subsidiary companies	-	-	29,366,621	19,259,364
Bank guarantee given to a utilities Company	20,000	20,000	-	-
Bank guarantee to Bintulu port for port charges	210,000	497,039	-	-

29. RELATED PARTY DISCLOSURES

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group and certain members of senior management of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

The Group has related party relationships with its subsidiary companies, related parties and key management personnel.

NOTES TO THE FINANCIAL STATEMENTS
31 August 2021
cont'd

29. RELATED PARTY DISCLOSURES *(cont'd)*

(b) Compensation of key management personnel

Remuneration of key management personnel (inclusive of the Directors' remuneration as disclosed in Note 25 to the financial statements) are as follows:

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Key management compensations:				
- Salaries, wages and bonus	1,889,747	2,118,546	169,081	149,500
- Defined contribution plan	205,620	163,571	-	-
- Other emoluments *	196,154	118,098	17,000	12,000
	2,291,521	2,400,215	186,081	161,500

* *Other emoluments included socso, allowances, meeting allowance and etc.*

(c) Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal terms and conditions negotiated among the related parties. In addition to the related party balances disclosed in Notes 11 to the financial statements, the significant related party transactions of the Company are as follows:

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Subsidiary company				
Advances to	-	-	11,100,000	1,900,000
Dividend income	-	-	5,250,000	5,960,000
Related parties				
Revenue	(10,876,698)	(6,792,966)	-	-
Purchases	25,849,790	26,817,668	-	-
Purchase of assets	22,800	-	-	-
Commission received	-	143,850	-	-
Rental of lorry	195,120	195,120	-	-
Rental of premises	676,800	676,800	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

30. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 to the financial statements describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position at reporting date by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Total
	RM	RM	RM
Group			
2021			
Financial assets			
Trade receivables	40,785,560	-	40,785,560
Other receivables	2,308,769	-	2,308,769
Contract assets	145,940	-	145,940
Fixed deposits with financial institutions	6,460,000	-	6,460,000
Cash and bank balances	9,846,247	-	9,846,247
	59,546,516	-	59,546,516
Financial liabilities			
Trade payables	-	14,038,247	14,038,247
Other payables	-	4,696,715	4,696,715
Lease liabilities	-	1,821,454	1,821,454
Bank borrowings	-	59,789,829	59,789,829
	-	80,346,245	80,346,245

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(a) Classification of financial instruments *(cont'd)*

	Financial assets measured at amortised cost RM	Financial liabilities measured at amortised cost RM	Total RM
Group			
2020			
Financial assets			
Trade receivables	48,595,161	-	48,595,161
Other receivables	11,730,483	-	11,730,483
Fixed deposits with financial institutions	9,443,709	-	9,443,709
Cash and bank balances	7,471,059	-	7,471,059
	77,240,412	-	77,240,412
Financial liabilities			
Trade payables	-	27,168,498	27,168,498
Other payables	-	3,227,322	3,227,322
Lease liabilities	-	2,009,212	2,009,212
Bank borrowings	-	56,427,405	56,427,405
	-	88,832,437	88,832,437

	Financial assets measured at amortised cost RM	Financial liabilities measured at amortised cost RM	Total RM
Company			
2021			
Financial assets			
Other receivables	1,736	-	1,736
Amount due from subsidiary companies	16,635,118	-	16,635,118
Fixed deposits with financial institutions	5,000,000	-	5,000,000
Cash and bank balances	366,852	-	366,852
	22,003,706	-	22,003,706

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(a) Classification of financial instruments *(cont'd)*

	Financial assets measured at amortised cost RM	Financial liabilities measured at amortised cost RM	Total RM
Company			
2021			
Financial liabilities			
Other payables	-	95,744	95,744
Amount due to subsidiary companies	-	100,000	100,000
Bank borrowings	-	30,423,208	30,423,208
	-	30,618,952	30,618,952
2020			
Financial assets			
Other receivables	10,220,739	-	10,220,739
Amount due from subsidiary companies	8,897,691	-	8,897,691
Fixed deposits with financial institutions	5,288,883	-	5,288,883
Cash and bank balances	131,800	-	131,800
	24,539,113	-	24,539,113
Financial liabilities			
Other payables	-	52,799	52,799
Bank borrowings	-	35,588,988	35,588,988
	-	35,641,787	35,641,787

(b) Financial risk management objectives and policies

The Group's and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's and the Company's operations whilst managing its credit, liquidity, foreign currency, interest rate and market risks. The Group and the Company operates within clearly defined guidelines that are approved by the Board and the Group's and the Company's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's and the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management objectives and policies *(cont'd)*

(i) Credit risk

Credit risk is the risk of a financial loss to the Group or the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from trade and other receivables, contract assets, deposits places with licensed banks for facilities granted to the Group and the Company. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies and financial guarantees given to financial institutions for credit facilities granted to subsidiary companies.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represents the Group's and the Company's maximum exposure to credit risk. For financial guarantees to bank for banking facilities granted to certain subsidiary companies, the maximum exposure to credit risk amounts to RM29,366,621 (2020: RM19,259,364) representing the outstanding banking facilities of the subsidiaries at the reporting date. At the end of the reporting period, there was no indication that any subsidiary company would default on repayment. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

(a) Trade receivables and contract assets

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms be subject to credit verification procedures.

Credit risk concentration profile

The Group has no significant concentration of credit risk. The maximum exposures to credit risk are represented by the carrying amounts of the financial assets in the statement of financial position.

Exposure to credit risk, credit quality and collateral

Trade receivable balances are monitored on an ongoing basis.

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of trade receivables and contract assets as at the end of the reporting period.

Ageing analysis of trade receivables and impairment losses

Information regarding ageing analysis of trade receivables and impairment losses is disclosed in Note 8 to the financial statements.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 8 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management objectives and policies *(cont'd)*

(i) Credit risk *(cont'd)*

(a) Trade receivables and contract assets *(cont'd)*

Financial assets that are past due but not impaired

Information regarding trade receivables that are past due but not impaired is disclosed in Note 8 to the financial statements.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group categorises trade receivables and contract assets as impaired when a debtor fails to make contractual payments after more than 365 days past due. Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage to repayment plan with the Group. Where trade receivables and contract assets have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about ageing analysis and amounts arising from expected credit losses for trade receivables and contract assets.

The Group provides for lifetime expected credit losses for all trade receivables and contract assets. The expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product is expected to deteriorate over the next year, leading to increase in the number of defaults.

30. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management objectives and policies *(cont'd)*

(i) Credit risk *(cont'd)*

(a) Trade receivables and contract assets *(cont'd)*

The loss allowance provision as at the end of each reporting period is determined as follows:

	Contract assets	Current	30 days past due	60 days past due	90 days past due	120 days past due"	>120 days past due	Total
Group								
31 August 2021								
Loss rate (%)	-	0.28 - 0.70	0.04 - 1.06	0.61 - 1.40	0.47 - 0.48	1.07	0.03 - 14.75	
Gross carrying amount (RM)	145,940	16,742,806	10,650,615	5,094,865	1,792,822	648,188	7,727,095	
Loss allowance (RM)	-	20,574	19,301	3,993	2,573	-	288,908	335,349
Impaired receivables (RM)	-	-	-	-	-	-	1,535,482	1,535,482
Total impairment								1,870,831
31 August 2020								
Loss rate (%)	-	0.12 - 3.23	0.07 - 8.90	1.19 - 1.40	1.00 - 21.23	1.10 - 6.37	4.35 - 25.01	
Gross carrying amount (RM)	-	21,198,775	8,266,728	4,222,050	7,603,783	2,152,207	8,485,483	
Loss allowance (RM)	-	65,337	55,852	8,602	91,947	4,095	223,343	449,176
Impaired receivables (RM)	-	-	-	-	-	-	2,884,689	2,884,689
Total impairment								3,333,865

NOTES TO THE FINANCIAL STATEMENTS
31 August 2021
cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management objectives and policies *(cont'd)*

(i) Credit risk *(cont'd)*

(b) Other receivables

At the end of reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

At the end of reporting period, the Group and the Company did not recognised any allowance for impairment losses.

(c) Amount due from subsidiary companies

The Company considers loans and advances to subsidiary companies have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary company's financial position deteriorates significantly. As the Company is able to determine the timing of payment of the subsidiaries' loan and advances to be in default when the related companies are not able to pay when demanded. The Company considers a subsidiary company's loan or advances to be credit impaired when:

- the subsidiary company unlikely to repay its loan or advances to the Company in full;
- the subsidiary company's loan or advance is overdue for more than 365 days; or
- the subsidiary company is continuously loss making and is having a deficit shareholders' fund.

At the end of reporting period, the Company did not recognised any allowance for impairment losses.

(d) Other financial instruments

For other financial assets (including fixed deposits with financial institution and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties. In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations. As at the end of the reporting period, there was no indication that there are other financial assets are impaired.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

30. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management objectives and policies *(cont'd)*

(ii) Liquidity risk *(cont'd)*

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group and the Company finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The following table analyses the maturity profile of the Group's and the Company's financial liabilities as at reporting date. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company are required to pay.

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	After 5 years RM	Total contractual undiscounted cash flows RM	Total carrying amount RM
Group						
2021						
Financial liabilities						
Trade payables	14,038,247	-	-	-	14,038,247	14,038,247
Other payables	4,696,715	-	-	-	4,696,715	4,696,715
Lease liabilities	476,775	450,061	935,329	179,297	2,041,462	1,821,454
Bank borrowings	19,560,078	9,546,009	26,622,855	11,687,473	67,416,415	59,789,829
	38,771,815	9,996,070	27,558,184	11,866,770	88,192,839	80,346,245
2020						
Financial liabilities						
Trade payables	27,168,498	-	-	-	27,168,498	27,168,498
Other payables	3,227,322	-	-	-	3,227,322	3,227,322
Lease liabilities	538,706	465,207	928,006	374,970	2,306,889	2,009,212
Bank borrowings	41,208,704	1,952,623	5,575,869	12,784,554	61,521,750	56,427,405
	72,143,230	2,417,830	6,503,875	13,159,524	94,224,459	88,832,437

NOTES TO THE FINANCIAL STATEMENTS
31 August 2021
cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management objectives and policies *(cont'd)*

(ii) Liquidity risk *(cont'd)*

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	After 5 years RM	Total contractual undiscounted cash flows RM	Total carrying amount RM
Company						
2021						
Financial liabilities						
Other payables	95,744	-	-	-	95,744	95,744
Amount due to a subsidiary	100,000	-	-	-	100,000	100,000
Bank borrowings	4,611,010	7,653,634	21,227,743	-	33,492,387	30,423,208
	4,806,754	7,653,634	21,227,743	-	33,688,131	30,618,952
2020						
Financial liabilities						
Other payables	52,799	-	-	-	52,799	52,799
Bank borrowings	35,588,988	-	-	-	35,588,988	35,588,988
	35,641,787	-	-	-	35,641,787	35,641,787

(iii) Market risks

- Foreign currency exchange risk

  The Group is exposed to foreign currency exchange risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily Singapore Dollar (SGD), United States Dollar (USD) and Japanese Yen (JPY). The Group has investment in foreign operation whose net assets are exposed to foreign currency translation risk. Such exposures are mitigated through bank borrowings denominated in the respective functional currencies.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management objectives and policies *(cont'd)*

(iii) Market risks *(cont'd)*

- Foreign currency exchange risk *(cont'd)*

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date are as follows:

Group	USD RM	SGD RM	JPY RM	Total RM
		Denominated in		
2021				
Deposits, cash and bank balances	8,766	-	-	8,766
Trade receivables	14,038	113,530	-	127,568
Other receivables	178,571	-	300,026	478,597
Trade payables	(3,060,936)	-	-	(3,060,936)
Bank borrowings	(398,176)	-	-	(398,176)
	(3,257,737)	113,530	300,026	(2,844,181)
2020				
Deposits, cash and bank balances	2,154	-	-	2,154
Trade receivables	5,032,420	1,425	-	5,033,845
Other receivables	5,026	-	441,382	446,408
Trade payables	(853,419)	-	-	(853,419)
Other payables	(30,529)	-	-	(30,529)
	4,155,652	1,425	441,382	4,598,459

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management objectives and policies *(cont'd)*

(iii) Market risks *(cont'd)*

- Foreign currency exchange risk *(cont'd)*

Foreign currency sensitivity analysis

Group	Change in currency rate	2021 Effect on profit before tax RM	2020 Effect on profit before tax RM
	RM		
USD	Strengthened 10%	(325,774)	415,565
	Weakened 10%	325,774	(415,565)
SGD	Strengthened 10%	11,353	143
	Weakened 10%	(11,353)	(143)
JPY	Strengthened 10%	30,003	44,138
	Weakened 10%	(30,003)	(44,138)

- Interest rate risk

The Group's and the Company's fixed rate deposits placed with financial institutions and bank borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with financial institutions by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long-term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

NOTES TO THE FINANCIAL STATEMENTS
31 August 2021
cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management objectives and policies *(cont'd)*

(iii) Market risks *(cont'd)*

- Interest rate risk *(cont'd)*

The carrying amounts of the Group's and of the Company's financial instruments that are exposed to interest rate risk are as follows:

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
Fixed rate instruments				
Fixed deposits with financial institutions	6,460,000	9,443,709	5,000,000	5,288,883
Lease liabilities	1,821,454	2,009,212	-	-
	8,281,454	11,452,921	5,000,000	5,288,883
Variable rate instruments				
Bankers' acceptances	12,235,168	1,966,093	-	-
Invoice financing	914,247	1,653,999	-	-
Term loans	46,640,414	52,807,313	30,423,208	35,588,988
	59,789,829	56,427,405	30,423,208	35,588,988

Interest rate sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change in 1% interest rate at the end of the reporting period, with all other variable being held constant, would have increased/(decreased) the Group's and the Company's profit before tax by RM597,898 and RM304,232 (2020: RM564,274 and RM355,890) respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

30. FINANCIAL INSTRUMENTS *(cont'd)*

(c) Fair value of financial instruments

i. Financial instruments not carried at fair value

Financial assets and financial liabilities not carried at fair value are disclose in Note 30 (a) of the financial statements. These financial instruments are carried at the amounts approximate of their fair values on the statements of financial position of the Group and of the Company due to the relatively short term maturity of these financial instruments and the Group and the Company do not anticipate the carrying amounts recorded at the reporting date to be significantly different from the values that would eventually be received or settled.

As at the end of each financial year, the carrying amounts of floating rate term loans approximate their fair values as their interest rates change accordingly to movements in the market interest rates.

ii. Financial instruments carried at fair value

As at end of the reporting period, there were no financial instruments carried at fair value.

31. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank borrowings (including 'current and non-current borrowings and lease liabilities' as shown in the Statement of Financial Position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Statement of Financial Position plus net debt. The gearing ratios at end of the reporting period are as follows:

	Group	
	2021	**2020**
	RM	**RM**
Total bank borrowings	61,611,283	58,436,617
Less: Cash and cash equivalents (including fixed deposits pledged to financial institutions)	(16,306,247)	(16,914,768)
Net debts	45,305,036	41,521,849
Total equity	79,870,586	77,980,300
Gearing ratio (times)	0.57	0.53

There were no changes in the Group's approach to capital management during the financial year.

The Group and the Company are not subject to any externally imposed capital requirement.

NOTES TO THE FINANCIAL STATEMENTS
31 August 2021
cont'd

32. SEGMENT INFORMATION

The Group has four reportable segment as below:

(a) Fertilisers
(b) Heavy equipment
(c) Equipment rental (inclusive of trading of industrial products)
(d) Investment holding

For each segment, the management reporting the operating segment results separately and the operating decision maker (i.e. the Group's Managing Director and Chief Executive Officer) reviews the results of operating segment at least on a quarterly basis.

	Fertilisers RM	Heavy equipment RM	Equipment rental RM	Investment holding RM	Group RM
At 31 August 2021					
Revenue					
Total revenue	83,905,876	20,905,019	24,644,740	5,250,000	134,705,635
Inter-segment elimination	(2,143,340)	(4,322,470)	50,437	(5,250,000)	(11,665,373)
External revenue	81,762,536	16,582,549	24,695,177	-	123,040,262
Results					
Depreciation of property, plant and equipment	2,179,811	1,029,356	1,628,363	-	4,837,530
Finance cost	690,800	216,879	171,991	1,521,884	2,601,554
Finance income	(79,174)	(70,832)	(10,918)	(133,381)	(294,305)
(Gain)/Loss on disposal of property, plant and equipments and assets held for sale	(1,208)	(1,433,494)	6,528	-	(1,428,174)
Inventories written down	-	126,875	-	-	126,875
Net impairment loss on financial assets	290,543	(448,894)	261,582	-	103,231
Segment profit/(loss)	1,871,453	(144,069)	1,478,811	(2,669,024)	537,171
Segment assets	70,411,470	40,366,831	35,591,505	24,668,205	171,038,011
Segment liabilities	40,348,651	9,310,339	6,969,485	30,518,952	87,147,427

NOTES TO THE FINANCIAL STATEMENTS

31 August 2021
cont'd

32. SEGMENT INFORMATION *(cont'd)*

	Fertilisers RM	Heavy equipment RM	Equipment rental RM	Investment holding RM	Group RM
At 31 August 2020					
Revenue					
Total revenue	81,633,023	35,132,019	17,720,461	7,948,000	142,433,503
Inter-segment elimination	-	(12,640,598)	(558,885)	(7,948,000)	(21,147,483)
External revenue	81,633,023	22,491,421	17,161,576	-	121,286,020
Results					
Depreciation of property, plant and equipment	2,146,614	1,134,815	1,679,840	-	4,961,269
Finance cost	1,039,834	394,487	57,011	1,887,110	3,378,442
Finance income	(76,015)	(225,248)	(14,085)	(176,953)	(492,301)
Gain on disposal of property, plant and equipment	-	(45,027)	(625)	-	(45,652)
Property, plant and equipment written off	305,666	2,925	155,636	-	464,227
Inventories written down	238,880	2,311,579	-	-	2,550,459
Net impairment loss on financial assets	-	660,665	1,266,973	-	1,927,638
Segment profit/(loss)	769,369	(5,258,237)	(2,254,559)	(876,566)	(7,619,993)
Segment assets	69,152,740	42,931,380	30,978,402	35,368,987	178,431,509
Segment liabilities	46,182,778	7,663,216	7,191,687	35,667,786	96,705,467

No geographical segmental information are presented as the Group currently operate and derived revenue in Malaysia, the revenue from the foreign subsidiary and foreign customers is immaterial and less than 10% to the Group's revenue.

Major customer

The following is the major customer with revenue equal or more than 10% of the Group's revenue:

	Revenue 2021 RM	Revenue 2020 RM	Segment
Customer A	19,284,455	16,416,845	Fertilisers

NOTES TO THE FINANCIAL STATEMENTS
31 August 2021
cont'd

33. SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE FINANCIAL YEAR

COVID-19 Event

Following from the development of the COVID-19 outbreak which was declared by the World Health Organisation as a global pandemic in March 2020, the Malaysia Government imposed various levels of Movement Control Order ("MCO") as precautionary measures to curb the spread of COVID-19 outbreak in Malaysia. Due to the increase in cases in the country, the Government again imposed MCO with effect from 1 June 2021 followed by a four-phase National Recovery Plan with specific threshold indicators to decide the classification of different states into different phases. National Recovery Plan in still ongoing with al the states are in Phase 3 and Phase 4.

The Directors of the Company have assessed the overall impact of this situation towards the Company's operations and financial performance, including the recoverability of the net carrying amount of its assets and the subsequent measurement of its assets and liabilities and concluded there is no material adverse effect on the Group's and the Company's financial statements for the financial year ended 31 August 2021. The Directors will closely monitor the current developments of COVID-19 and continuously assess the impact on the Group's operations and would take appropriate and timely measures to minimize the said impact.

Rights Issue

a. On 6 November 2020, the Board of Directors announced that the Company proposes to undertake the following:-

   i. proposed consolidation of every 3 ordinary shares in Hextar Industries Berhad ("HIB") into 1 consolidated HIB Share ("Consolidation Share")("Proposed Share Consolidation");

   ii. proposed Rights Issue of new HIB Shares to raise gross proceeds of up to RM155 million and;

   iii. proposed exemption to Hextar Holdings Sdn Bhd ("Hextar") and persons acting in concert with it to undertake a mandatory offer for the remaining HIB Shares not already owned by them arising from the subscription by Hextar of the Rights Shares pursuant to the irrevocable undertakings.

b. On 1 December 2020, the Board of Directors announced that the Company application to seek Bursa Malaysia Securities Berhad approval for the following:

   i. the Proposed Share Consolidation;

   ii. additional listing application for the listing of and quotation for Rights Shares pursuant to the Proposed Rights Issue;

   iii. additional listing application for the listing of and quotation for additional warrants to be issued as a result of the adjustments to the number of outstanding warrants 2016/2021 arising from the Proposed Rights Issue ("additional warrants") and

   iv. additional listing application for the listing and quotation for new ordinary shares in HIB to be issued arising from the exercise of the additional warrants.

NOTES TO THE FINANCIAL STATEMENTS
31 August 2021
cont'd

33. SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE FINANCIAL YEAR *(cont'd)*

Rights Issue *(cont'd)*

c. On 12 January 2021, the Board of Directors announced that the Bursa Securities had via its letter dated 12 January 2021, approved the Proposed Share Consolidation and Proposed Rights Issue with conditions.

On 26 February 2021, the Company obtained its shareholders' approval for the above proposals at an extraordinary general meeting.

d. The Consolidated Shares and Consolidated Warrants had completed on 12 March 2021 and listed and quoted on the ACE Market of Bursa Securities with effect on 15 March 2021.

e. On 14 September 2021, the Company had fixed the entitlement date on 29 September 2021 for the Right Issue at the issue price of RM0.12 on the entitlement basis of 5 Rights Shares for every 1 HIB Share.

f. On 29 October 2021, the Rights Issue has been completed following the listing of and quotation for 929,864,180 Rights Shares and 61,138,799 additional warrants on the ACE Market of Bursa Malaysia Securities Berhad.

g. Subsequent to the Rights Issue, Hextar's shareholding has increased to 45.67%, making it the single largest controlling shareholder.

LIST OF PROPERTIES

No.	Title Details/ Postal Address	Description of property/ Existing use	Land area sq m	Approximate age of building (Years)	Tenure	Net book value as at 31.08.2021
1.	Individual title held under industrial H.S.(M) 13156, PT 23677, Mukim Ceras, Tempat Cheras Jaya, Daerah Hulu Langat, Negeri Selangor Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan	4 storey building with offices and warehouse	8,510	6	99 years lease expiring on 30 December 2098	13,287,943
2.	Individual title held under HS(D) 12001, Lot 40666, Mukim Kuala Kuantan, Daerah Kuantan, Negeri Pahang No. 3, Jalan Industri Tanah Putih Baru 5, Batu 3, Kawasan Perindustrian Perdana Jaya, Tanah Putih, Jalan Gambang, 25150 Kuantan, Pahang Darul Makmur	1 ½ storey terrace factory currently used as regional office and warehouse	149	24	99 years lease expiring on 3 October 2075	130,106
3.	Individual title held under HS(D) 12002, Lot 40667, Mukim Kuala Kuantan, Daerah Kuantan, Negeri Pahang No. 1, Jalan Industri Tanah Putih Baru 5, Batu 3, Kawasan Perindustrian Perdana Jaya, Tanah Putih, Jalan Gambang, 25150 Kuantan, Pahang Darul Makmur	1 ½ storey terrace factory currently used as regional office and warehouse	177	24	99 years lease expiring on 3 October 2075	140,589
4.	Master title held under Parent Lot 594, Block 238, Kuching North Land District, Sarawak. Sublot No. 10, Wismacom Industrial Park, 8 ½ Mile, Jalan Batu Kitang. 93250 Kuching, Sarawak.	2-storey semi-detached industrial building	681	5	60 years lease expiring on 30 November 2038	1,142,044

LIST OF PROPERTIES
cont'd

No.	Title Details/ Postal Address	Description of property/ Existing use	Land area sq m	Approximate age of building (Years)	Tenure	Net book value as at 31.08.2021
5.	Individual title held under HSD 62727, PTD 107429, Mukim of Kulai, District of Kulai, State of Johor. No. 106, Jalan Lagenda 6, Taman Lagenda Putra, 81000 Kulai, Johor Darul Ta'zim	Single-storey clustered factory with mezzanine floor	863	5	Freehold	1,526,383
6.	Title held under held No. Lot 4061 Block 26 Kemena Land District Lot 4061, Kidurong Light Industrial Estate (KLIE), Jalan Kidurong, 97000 Bintulu, Sarawak.	Single-storey detached industrial warehouse	16,302	23	60 years lease expiring on 7 July 2058	17,806,452

STATISTICS OF SHAREHOLDINGS

As At 6 December 2021

SHARE CAPITAL

Total Number of Issued Shares	:	1,147,096,417
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS AS AT 6 DECEMBER 2021

Size of Shareholdings	No. of Shareholders	No. of Shares	Percentage of Shareholdings (%)
1 to 99	325	14,287	0.001
100 to 1,000	225	127,842	0.011
1,001 to 10,000	1,169	6,944,490	0.605
10,001 to 100,000	1,503	60,771,099	5.297
100,001 - 57,354,819*	596	555,309,799	48.410
57,354,820 and above**	1	523,928,900	45.674
Total	**3,819**	**1,147,096,417**	**100.000**

Table 29: Size of Shareholdings

Remark:
** - Less than 5% of Issued Shares*
*** - 5% and above of Issued Shares*

SUBSTANTIAL SHAREHOLDERS AS AT 6 DECEMBER 2021

		No. of Shares held		No. of Shares held	
No.	Name of Substantial Shareholder	Direct	%	Indirect	%
1	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK ISLAMIC BERHAD FOR HEXTAR HOLDINGS SDN BHD	523,928,900	45.674	-	-
2	DATO' ONG CHOO MENG	-	-	523,928,900[(a)]	45.674
3	DATO' ONG SOON HO	-	-	523,928,900[(a)]	45.674

Table 30: List of Substantial Shareholders

STATISTICS OF SHAREHOLDINGS

As At 6 December 2021
cont'd

DIRECTORS' INTERESTS IN SHARES AS AT 6 DECEMBER 2021

		No. of Shares held		No. of Shares held	
No.	**Name of Director**	**Direct**	**%**	**Indirect**	**%**
1	Dato' Chan Choun Sien	2,200,200	0.191	-	-
2	Ang Sui Aik, Benny	-	-	-	-
3	Dato' Ong Choo Meng	-	-	523,928,900[(a)]	45.674
4	Sim Yee Fuan	152,000	0.013	-	-
5	Wong Kin Seng	15,776,694	1.375	-	-
6	Ong Tzu Chuen	-	-	-	-
7	Dato Sri Chee Hong Leong	-	-	-	-

Table 31: Directors' Shareholdings

Notes

(a) Deemed interest for the shares held by Hextar Holdings Sdn. Bhd. Pursuant to Section 8 of the Companies Act, 2016

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 6 DECEMBER 2021)

No.	Name of Shareholders	No. of Shares	Percentage of Shareholdings (%)
1	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK ISLAMIC BERHAD FOR HEXTAR HOLDINGS SDN BHD	523,928,900	45.674
2	MOK YAU CHOY	41,000,000	3.574
3	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAY HOCK SOON (MY1055)	20,300,000	1.769
4	LIONG HONG HOH	18,500,000	1.612
5	CHONG YOKE SIM	16,000,000	1.394
6	WONG KIN SENG	14,996,694	1.307
7	JOHNNY TING KOK LING	14,389,000	1.254
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW NGOK MING	11,232,905	0.979
9	MOK YAU CHOY	10,000,000	0.871
10	TANG BOON HIAP	9,912,300	0.864
11	YEW TUCK KAI	8,748,600	0.762
12	MOK WHEH XIA	8,662,000	0.755
13	CHIN FEI LEE	6,900,000	0.601

STATISTICS OF SHAREHOLDINGS

As At 6 December 2021
cont'd

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 6 DECEMBER 2021) *(cont'd)*

No.	Name of Shareholders	No. of Shares	Percentage of Shareholdings (%)
14	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	6,588,300	0.574
15	MOK ZHI QING	6,200,000	0.540
16	KOH ENG HONG	6,100,000	0.531
17	QUEK SEE KUI	5,742,800	0.500
18	LEE LI CHING	5,700,000	0.496
19	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM LIAN HOOI (LIM0949C)	5,600,000	0.488
20	FOO MOONG MOI @ FOO MONG MOOI	5,320,000	0.463
21	SUTERA BANGSA SDN BHD	5,283,333	0.460
22	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GARY LEE SEATON (E-JBU)	5,100,000	0.444
23	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR TAN KOK PIN @ KOK KHONG (PB)	5,000,000	0.435
24	MOK ZHI XIN	5,000,000	0.435
25	LUI YUEN QIU	4,444,400	0.387
26	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEONG BOON YU (E-SJA)	4,430,000	0.386
27	WONG MENG KOON	4,250,000	0.370
28	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GAN SEONG LIAM (7001349)	4,181,400	0.364
29	LIEW FOOK MENG	4,132,300	0.360
30	LWY HOLDING SDN BHD	3,716,666	0.324

Table 32: List of Top 30 Shareholders

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting ("10th AGM") of Hextar Industries Berhad (formerly known as SCH Group Berhad) ("HIB" or "the Company") will be conducted virtually through live streaming and online remote voting as below:

Day and Date	:	Monday, 14 February 2022
Time	:	10.30 a.m.
Broadcast Venue	:	Tricor Business Centre Manuka 2 & 3 Meeting Room Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi 59200 Kuala Lumpur
Meeting Platform	:	online meeting platform via TIIH Online website at https://tiih.online or https://tiih.com.my

for the following purposes:

1. To receive the Audited Financial Statements for the financial year ended 31 August 2021 together with the Reports of the Directors and Auditors thereon. — **Please refer to Explanatory Note 1**

2. To approve the Directors' fees amounting of up to RM200,000 for the period from 10th AGM until the conclusion of the 11th AGM of the Company. — **Ordinary Resolution 1**

3. To approve the payment of Directors' benefits of up to RM50,000 for the period from 10th AGM until the conclusion of the 11th AGM of the Company. — **Ordinary Resolution 2**

4. To re-elect the following Directors who are retiring pursuant to Clause 103(1) of the Company's Constitution and being eligible, have offered themselves for re-election:

   i. Dato' Ong Choo Meng — **Ordinary Resolution 3**
   ii. Sim Yee Fuan — **Ordinary Resolution 4**

5. To re-elect Dato Sri Chee Hong Leong who is retiring pursuant to Clause 110 of the Company's Constitution and being eligible, has offered himself for re-election. — **Ordinary Resolution 5**

6. To re-appoint Messrs. Ecovis Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. — **Ordinary Resolution 6**

NOTICE OF ANNUAL GENERAL MEETING
cont'd

SPECIAL BUSINESSES:
To consider and, if thought fit, to pass the following Resolution:

7. **Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016** — **Ordinary Resolution 7**

"THAT subject to passing of the Special Resolution 1 of the Notice of AGM dated 31 December 2021, and subject to the Companies Act, 2016 ("the Act"), the Constitution of the Company, the ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), Additional Temporary Relief Measures to Listed Corporations for Covid-19, issued by Bursa Securities on 16 April 2020, its subsequent letter dated 23 December 2021 on extension of implementation of the 20% General Mandate and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed twenty per centum (20%) of the total number of issued shares of the Company (excluding treasury shares) at any point in time ("20% General Mandate"); AND THAT the Directors be and are hereby also empowered to obtain approval from the Bursa Securities for the listing and quotation of the additional shares so issued pursuant to the 20% General Mandate on Bursa Securities which would be utilised before 31 December 2022 and thereafter, the 10% general mandate will be reinstated;

AND THAT such authority shall continue to be in force until the conclusion of the next AGM of the Company."

8. **PROPOSED NEW AND RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** — **Ordinary Resolution 8**

"THAT subject to the provisions of the Listing Requirements of Bursa Securities, approval be and is hereby given for the Company and its subsidiary companies, to enter into recurrent related party transactions of a revenue or trading nature with the related parties as specified in Section 2.3 of the Circular to Shareholders dated 31 December 2021 ("Proposed Mandate") which are necessary for the day-to-day operations and/or in the ordinary course of business of the Company and its subsidiary companies on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company and that such approval shall continue to be in force until:-

NOTICE OF ANNUAL GENERAL MEETING
cont'd

(a) the conclusion of the next AGM of the Company following the AGM at which such ordinary resolution for the Proposed Mandate was passed, at which time it will lapse, unless by ordinary resolution passed at that general meeting, the authority is renewed;

(b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever is the earlier;

AND THAT the estimated aggregate value of the transactions conducted pursuant to the Proposed Mandate during a financial year will be disclosed, in accordance with the Listing Requirements, in the Annual Report of the Company for the said financial year;

AND FURTHER THAT authority be and is hereby given to the Directors of the Company and its subsidiary companies to complete and do all such acts and things (including executing such documents as may be required) to give effect to such transactions as authorised by this Ordinary Resolution."

9. **PROPOSED CONTINUATION IN OFFICE OF SIM YEE FUAN AS INDEPENDENT NON-EXECUTIVE DIRECTOR ("INED")** **Ordinary Resolution 9**

"THAT approval be and is hereby given to Sim Yee Fuan who has served as an INED of the Company which will reach the nine (9) year term limit on 12 March 2022 to continue to act as an INED of the Company until the conclusion of the next AGM in accordance with the Malaysian Code on Corporate Governance 2017."

10. **PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY** **Special Resolution 1**

"THAT the proposed amendments to the Constitution of the Company be and are hereby approved and adopted; AND THAT the Board of Directors and Secretaries of the Company be and are hereby authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the proposed amendments to the Constitution of the Company."

11. To transact any other business of the Company for which due notice shall have been given.

By order of the Board,

TAN TONG LANG (MAICSA 7045482 / SSM PC No. 201908002253)
LEE KOK PING (MIA 44986 / SSM PC No. 202008004407)
Company Secretaries

Shah Alam
31 December 2021

NOTICE OF ANNUAL GENERAL MEETING
cont'd

Notes

1. *In order to curb the spread of Coronavirus Disease 2019 ("COVID-19") and as part of the Company's precautionary measures, the 10th AGM of the Company will be conducted virtually through live streaming from the broadcast venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur and online meeting platform via TIIH Online website at https://tiih.online or https://tiih.com.my provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia ("Tricor"). Please follow the procedures provided in the Administrative Guide for the 10th AGM in order to register, participate and vote remotely via the Remote Participation and Voting Facilities ("RPV").*

2. *A member/shareholder of the Company who are entitled to attend and vote at the 10th AGM is entitled to appoint one or more proxies to attend and vote in his stead. A proxy may, but need not, be a member of the Company. Where a member/shareholder appoints more than one proxy to attend and vote at the 10th AGM, such appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.*

3. *Where a member of the Company is an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

4. *Where a member of the Company is an exempt authorised nominee defined under the SICDA which is exempted from compliance with the provision of subsection 25A(1) of SICDA which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

5. *The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding this 10th AGM or adjourned general meeting at which the person named in the appointment proposes to vote.*

   i. ***In hard copy form***
      In the case of an appointment made in hard copy form, the proxy form must be deposited at the Share Registrar's office, Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.;

   ii. ***By electronic form***
      The proxy form can be electronically lodged via TIIH Online at https://tiih.online (applicable to individual shareholders only). Kindly refer to the Administrative Guide on the procedures for electronic lodgement of proxy from via TIIH Online.

6. *For a corporate member who has appointed a representative, please deposit the ORIGINAL certificate of appointment at the Share Registrar's office, Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment should be executed in the following manner:-*

   i. *If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.*

   ii. *If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:*

      a. *at least two (2) authorized officers, of whom one shall be a director; or*

      b. *any director and/or authorized officers in accordance with the laws of the country under which the corporate member is incorporated.*

NOTICE OF ANNUAL GENERAL MEETING
cont'd

7. *A Member who has appointed a proxy to participate in this 10th AGM must request his/her proxy to register himself/herself for the RPV at Tricor's TIIH Online website at https://tiih.online. Please follow the procedures in the Administrative Guide for this AGM.*

8. *For purposes of determining a member who shall be entitled to participate at the 10th AGM, the Company shall be requesting a Record of Depositors as at 31 January 2022 and only members whose name appears on such Record of Depositors dated 31 January 2022 shall be entitled to participate and/or vote at the 10th AGM or appoint a proxy or proxies to participate and/or vote on his/her behalf.*

EXPLANATORY NOTES

1. Item 1 of the Agenda - Audited Financial Statements for the financial year ended 31 August 2021

This item of the Agenda is for discussion purposes only, as Section 340(1)(a) of the Companies Act 2016 does not require the shareholders to formally approve the Audited Financial Statements. Therefore, this item will not be put forward for voting.

2. Ordinary Resolution 7 - Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed Ordinary Resolution 7, if passed, is a general mandate to empower the Directors to issue and allot shares up to an amount not exceeding 20% of the total number of issued share of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company.

Bursa Securities has via their letter dated 23 December 2021 granted an extension to the temporary relief measures to listed corporations, amongst others, an increase in general mandate limit for new issues of securities to not more than 20% of the total number of issued shares of the Company for the time being ("20% General Mandate"). Pursuant to the 20% General Mandate, Bursa Securities has also mandated that the 20% General Mandate may be utilised by a listed corporation to issue new securities until 31 December 2022 and thereafter, the 10% general mandate will be reinstated.

Having considered the current economic climate arising from the global COVID-19 pandemic and future financial needs of the Group, the Board would like to procure approval for the 20% General Mandate, pursuant to Section 76(4) of the Companies Act, 2016 from its shareholders at the forthcoming 10th AGM of the Company.

The 20% General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s) workings capital and/or acquisitions. The 20% General Mandate, unless revoked or varied by the Company in general meeting, will expire at the end of the 31 December 2022.

The Board of Directors of the Company, after due consideration, is of the opinion that in the face of unprecedented challenges to the Company brought by Covid-19 pandemic, this 20% General Mandate will enable the Company further flexibility to raise funds expeditiously other than incurring additional interest costs as compared to bank borrowings, thereby allowing the Company to preserve its cash flow and achieve a more optimal capital structure. Any funds raised from this 20% General Mandate is expected be used as working capital to finance day-to-day operational expenses, on-going projects or future projects/ investments to ensure the long-term sustainability of the Company.

The Board, having considered the current and prospective financial position, needs and capacity of the Company, is of the opinion that the 20% General Mandate is in the best interest of the Company and its subsidiaries.

As at the date of this Notice, no new shares in the Company were issued pursuant to the general mandate granted to the Directors at the Ninth (9th) AGM held on 26 February 2021 and which will lapse at the conclusion of the Tenth (10th) AGM.

NOTICE OF ANNUAL GENERAL MEETING
cont'd

3. ***Ordinary Resolution 8 - Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Mandate")***

The Ordinary Resolution 8, if passed, will allow the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Company and/or its subsidiaries, subject to the transactions being carried out in the ordinary course of business of the Company and/or its subsidiaries and on normal commercial terms which are generally available to the public and not detrimental to the minority shareholders of the Company.

This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company.

For further information on this resolution, please refer to the Circular to Shareholders dated 31 December 2021 which is despatched together with the Annual Report 2021.

4. ***Ordinary Resolution 9 - Proposed continuation in office of Sim Yee Fuan as Independent Non-Executive Director ("INED")***

The Board, through the Nomination Committee, had conducted annual performance evaluation and assessment on Sim Yee Fuan who is serving as an INED which will reach the nine-year term limit on 12 March 2022, and had recommended him to continue to act as INED of the Company based on the following justifications:

- *i. He had fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements, and hence he would be able to bring the element of objectivity, independent judgement and balance to the Board;*
- *ii. He is knowledgeable and have applied his vast experience and exercised due care during his tenure as INED of the Company. He has carried out his duties with reasonable skill and competence, bringing independent judgement and depth into the Board's decision making in the best interest of the Company, shareholders and stakeholders;*
- *iii. He have been with the Company long and therefore understand the Company's business operations which enable him to participate actively and contribute during Board and Board Committee meetings; and*
- *iv. He exhibited high commitment and devoted sufficient time and efforts to attend the meetings for informed and balanced decision making.*

His profile is set out in the Profile of Directors on page 8 of the Company's 2021 Annual Report.

5. ***Special Resolution 1 – Proposed Amendments to the Constitution of the Company***

The proposed Special Resolution 1, if passed, will enhance administrative efficiency.

Further information of the proposed Amendments to the Constitution of the Company is set out in the "Appendix A" accompanying the Notice of AGM dated 31 December 2021.

NOTICE OF ANNUAL GENERAL MEETING
cont'd

Appendix A

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY

The Constitution of the Company is proposed to be amended in the following manner:-

Clause No.	Existing Clause	Proposed Amendment
21	Subject to the Listing Requirement, the Central Depositories Act and or the Rules, and notwithstanding the existence of a resolution pursuant to the Act, the Company shall not issue any shares or convertible Securities if the total number of those shares or convertible Securities, when aggregated with the total number of any such shares or convertible Securities issued during the preceding twelve (12) months, exceeds ten per cent (10%) of the total number of issued shares (excluding treasury shares) of the Company, except where the shares or convertible Securities are issued with the prior approval of the shareholders in general meeting of the precise terms and conditions of the issue. In working out the number of shares or convertible Securities that may be issued by the Company, if the Security is a convertible Security, each such Security is counted as the maximum number of shares into which it can be converted or exercised and in the event that shares are offered to the public for subscription, the amount payable on application on each share offered shall not be less than five (5) per centum of the offer price of the share.	Subject to the provisions of this Constitution and Listing Requirement, and notwithstanding the existence of a resolution pursuant to Section 75(1) and 76(1) of the Act, the Company shall ensure that it shall not issue any shares or convertible securities if the total number of shares or convertible securities, when aggregated with the total number of any such shares or convertible securities issued during the preceding twelve (12) months, exceeds the allowed threshold by the prevailing rules and regulation, except where the shares or convertible securities are issued with the prior approval or the Members in general meeting of the precise terms and conditions of the issue.

STATEMENT ACCOMPANYING NOTICE OF AGM

Pursuant to Rule 8.29(2) of the ACE Market Listing Requirements of Bursa Securities

- Details of individuals who are standing for election (excluding directors standing for a re-election) as Directors.

  There are no individuals who are standing for election as Directors at this 10th AGM.

- Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the ACE Market Listing Requirements of Bursa Securities.

  Details of the general mandate to issue securities in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note 2 of this Notice.

This page has been intentionally left blank.

HEXTAR INDUSTRIES BERHAD (formerly known as SCH Group Berhad)
[Registration No. 201101044580 (972700-P)] (Incorporated in Malaysia)

PROXY FORM

(Before completing this form please refer to the notes below)

NUMBER OF SHARES HELD	CDS ACCOUNT NO.

I / We *(Full Name in Block Letters)* ____

NRIC No./Passport No./Company No. ____

of ____

being a member / members of Hextar Industries Berhad (formerly known as SCH Group Berhad) [Registration No. 201101044580 (972700-P)], hereby appoint

Name of Proxy	NRIC No./ Passport No.	Percentage of Shareholdings to be Represented
Address		
Contact /Email:		

and / or failing him/her

Name of Proxy	NRIC No./ Passport No.	Percentage of Shareholdings to be Represented
Address		
Contact /Email:		

or failing him/her, the Chairman of the Meeting as *my/our proxy to attend and vote for *me/us and on my/our behalf at the Tenth (10th) Annual General Meeting of the Company which will be conducted virtually through live streaming and online remote voting from the broadcast venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur through online meeting platform via TIIH Online website at https://tiih.online or https://tiih.com.my (Domain registration number with MYNIC: D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia on Monday, 14 February 2022 at 10.30 a.m. and at any adjournment thereof in the manner as indicate below:-

No.	Resolutions	For	Against
1.	**Ordinary Resolution 1** To approve the Directors' fees amounting of up to RM200,000 for the period from 10th AGM until the conclusion of the 11th AGM of the Company.		
2.	**Ordinary Resolution 2** To approve the payment of Directors' benefits of up to RM50,000 for the period from 10th AGM until the conclusion of the 11th AGM of the Company.		
3.	**Ordinary Resolution 3** To re-elect Dato' Ong Choo Meng who is retiring pursuant to Clause 103(1) of the Company's Constitution and being eligible, has offered himself for re-election.		
4.	**Ordinary Resolution 4** To re-elect Sim Yee Fuan who is retiring pursuant to Clause 103(1) of the Company's Constitution and being eligible, has offered himself for re-election.		
5.	**Ordinary Resolution 5** To re-elect Dato Sri Chee Hong Leong who is retiring pursuant to Clause 110 of the Company's Constitution and being eligible, has offered himself for re-election.		
6.	**Ordinary Resolution 6** To re-appoint Messrs. Ecovis Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
7.	**Ordinary Resolution 7** To approve the authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016.		
8.	**Ordinary Resolution 8** Proposed New and Renewal Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
9.	**Ordinary Resolution 9** Proposed continuation in office of Sim Yee Fuan as Independent Non-Executive Director.		
10.	**Special Resolution 1** Proposed Amendments to the Constitution of the Company.		

(Please indicate with 'X' how you wish to cast your vote. In the absence of specific directions, the proxy may vote or abstain from voting on the resolutions as he/she may think fit.)

Dated this ____________ day of ________________ 2022

Signature: ____
(If shareholder is a corporation, this form should be executed under seal)

Fold This Flap For Sealing

NOTES:

1. *In order to curb the spread of Coronavirus Disease 2019 ("COVID-19") and as part of the Company's precautionary measures, the 10th AGM of the Company will be conducted virtually through live streaming from the broadcast venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur and online meeting platform via TIIH Online website at https://tiih.online or https://tiih.com.my (Domain registration number with MYNIC: D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia. Please follow the procedures provided in the Administrative Guide for the 10th AGM in order to register, participate and vote remotely via the Remote Participation and Voting Facilities ("RPV").*
2. *A member/shareholder of the Company who are entitled to attend and vote at the 10th AGM is entitled to appoint one or more proxies to attend and vote in his stead. A proxy may, but need not, be a member of the Company. Where a member/shareholder appoints more than one proxy to attend and vote at the 10th AGM, such appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.*
3. *Where a member of the Company is an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
4. *Where a member of the Company is an exempt authorised nominee defined under the SICDA which is exempted from compliance with the provision of subsection 25A(1) of SICDA which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding this 10th AGM or adjourned general meeting at which the person named in the appointment proposes to vote.*
   i. *In hard copy form*
   In the case of an appointment made in hard copy form, the proxy form must be deposited at the Share Registrar's office, Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.;

Then Fold Here

AFFIX
STAMP

THE SHARE REGISTRAR OF
HEXTAR INDUSTRIES BERHAD
(FORMERLY KNOWN AS SCH GROUP BERHAD)
[Registration No. 201101044580 (972700-P)]
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

1st Fold Here

   ii. *By electronic form*
   The proxy form can be electronically lodged via TIIH Online at https://tiih.online (applicable to individual shareholders only). Kindly refer to the Administrative Guide on the procedures for electronic lodgement of proxy from via TIIH Online.
6. *For a corporate member who has appointed a representative, please deposit the ORIGINAL certificate of appointment at the Share Registrar's office, Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment should be executed in the following manner:-*
   i. *If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.*
   ii. *If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:*
      a. *at least two (2) authorized officers, of whom one shall be a director; or*
      b. *any director and/or authorized officers in accordance with the laws of the country under which the corporate member is incorporated.*
7. *A Member who has appointed a proxy to participate in this 10th AGM must request his/her proxy to register himself/herself for the RPV at Tricor's TIIH Online website at https://tiih.online. Please follow the procedures in the Administrative Guide for this AGM.*
8. *For purposes of determining a member who shall be entitled to participate at the 10th AGM, the Company shall be requesting a Record of Depositors as at 31 January 2022 and only members whose name appears on such Record of Depositors dated 31 January 2022 shall be entitled to participate and/or vote at the 10th AGM or appoint a proxy or proxies to participate and/or vote on his/her behalf.*

hextarindustries.com

HEXTAR INDUSTRIES BERHAD
201101044580 (972700-P)
(Formerly known as SCH Group Berhad)

Lot 35, Jalan CJ 1/1,
Kawasan Perusahaan Cheras Jaya,
43200 Cheras, Selangor Darul Ehsan, Malaysia.

Tel : +603-9082 2681
Fax : +603-9082 9697
Email : industries@hextar.com