

2023

ANNUAL REPORT



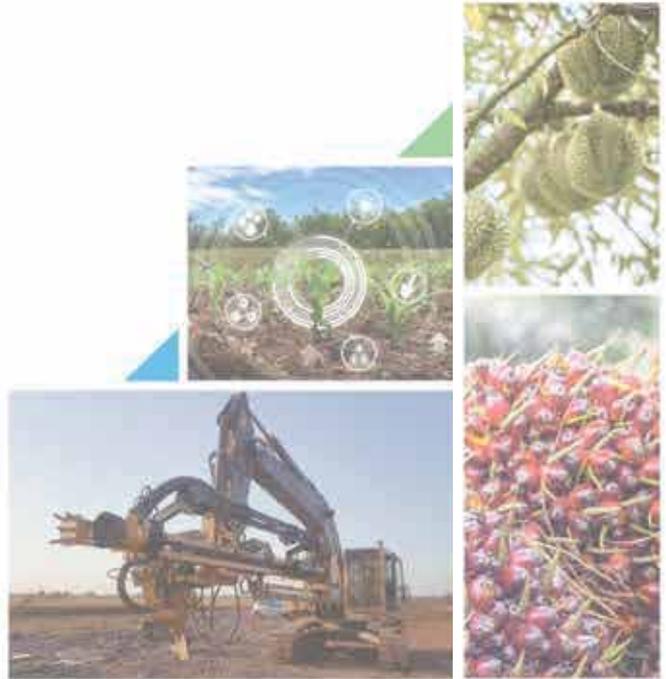
HEXTAR INDUSTRIES BERHAD
201101044580 (972700-P)

SOLUTIONS for 
A DYNAMIC WORLD 



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Corporate Information

BOARD OF DIRECTORS

Dato' Chan Choun Sien
Independent Non-Executive Chairman

Ang Sui Aik
Group Managing Director

Sham Weng Kong
Executive Director

Ong Tzu Chuen
Non-Independent Non-Executive Director

Dato Sri Chee Hong Leong
Independent Non-Executive Director

Oon Seow Ling
(Appointed w.e.f 01.07.2023)
Independent Non-Executive Director

Shahjanaz Binti Datuk
Kamaruddin
(Appointed w.e.f 01.03.2024)
Independent Non-Executive Director

AUDIT COMMITTEE

Oon Seow Ling (*Chairperson*)
Shahjanaz Binti Datuk Kamaruddin (*Member*)
Dato Sri Chee Hong Leong (*Member*)

RISK MANAGEMENT COMMITTEE

Dato Sri Chee Hong Leong (*Chairman*)
Dato' Chan Choun Sien (*Member*)
Sham Weng Kong (*Member*)

NOMINATION AND REMUNERATION COMMITTEE

Dato Sri Chee Hong Leong (*Chairman*)
Oon Seow Ling (*Member*)
Shahjanaz Binti Datuk Kamaruddin (*Member*)

COMPANY SECRETARIES

Tan Tong Lang
(MAICSA 7045482 / SSM PC No. 202208000250)
Tan Lay Khoon
(MAICSA 7077867/ SSM PC No. 202208000544)
Lee Kok Ping
(MIA 44986 / SSM PC No. 202008004407)

REGISTERED OFFICE

B-21-1, Level 21, Tower B,
Northpoint Mid Valley City,
No. 1, Medan Syed Putra Utara,
59200 Kuala Lumpur
Tel No. : 03-9770 2200
Fax No. : 03-2201 7774
Email : boardroom@boardroom.com.my

Corporate Information

cont'd

HEAD OFFICE/PRINCIPAL PLACE OF BUSINESS

No.63 & 64,
Jalan Bayu Laut 4/KS09,
Kota Bayuemas,
41200 Klang, Selangor.
Tel No. : +603 3003 3333
Fax No. : +603 3003 3330

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
Email : kuala-lumpur@ecovis.com.my

PRINCIPAL BANKERS

Al Rajhi Banking & Investment Corporation
(Malaysia) Berhad
Alliance Bank Malaysia Berhad
Alliance Islamic Bank Berhad
AmBank (M) Berhad
Ambank Islamic Berhad
Bangkok Bank Berhad
Bank of China (Malaysia) Berhad
CIMB Islamic Bank Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
Maybank Islamic Berhad
OCBC Al-Amin Bank Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank 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
Email : is.enquiry@my.tricorglobal.com

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia
Securities Berhad

Ordinary Shares

Stock Name : HEXIND
Stock Code : 0161

WEBSITE

www.hextarindustries.com

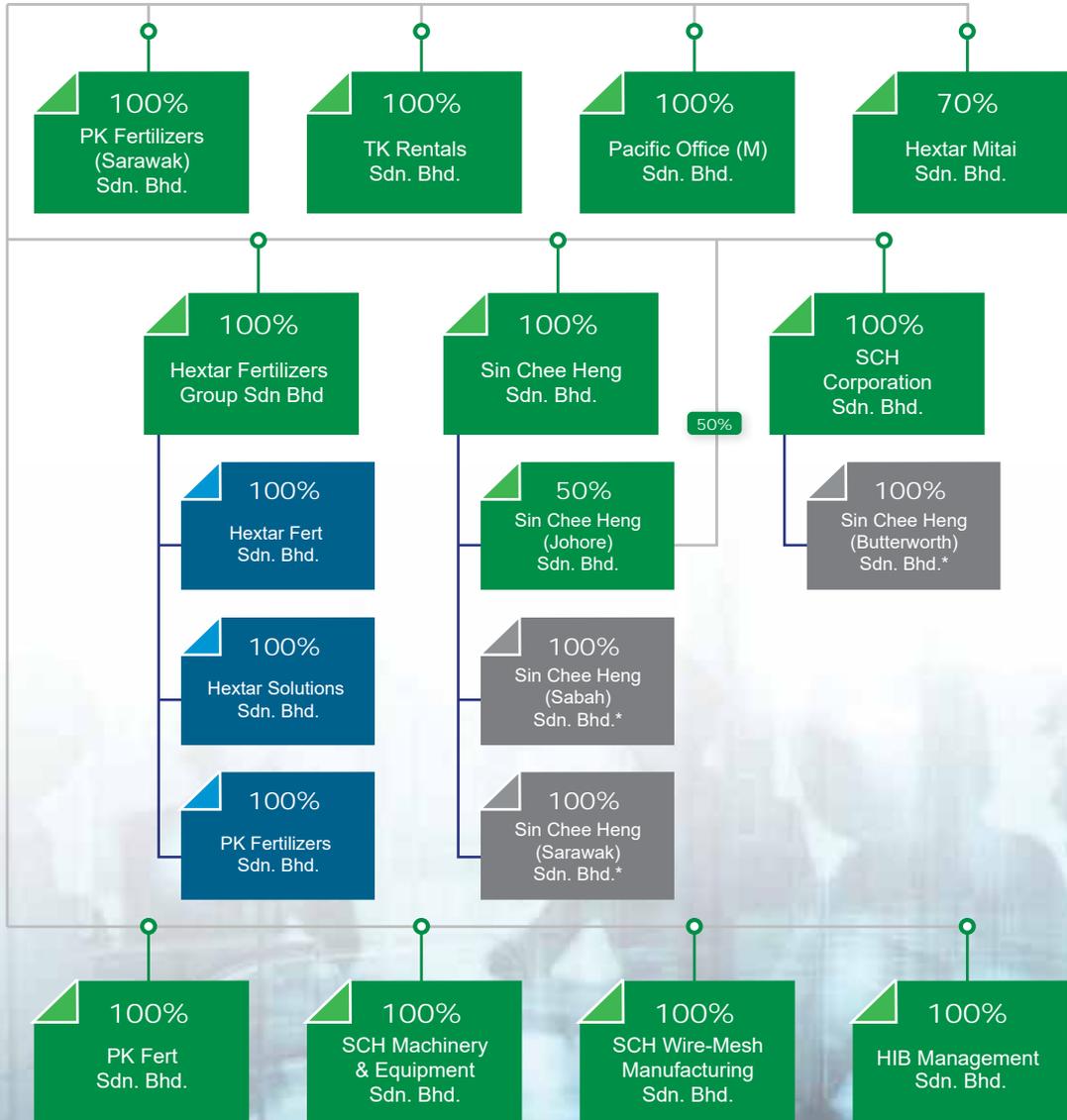
INVESTOR RELATIONS

Email : finance.hexind@hextar.com
Tel No. : 03-3003 3333
Fax No. : 03-3003 3330

Corporate Structure



HEXTAR INDUSTRIES BERHAD
201101044580 (972700-P)



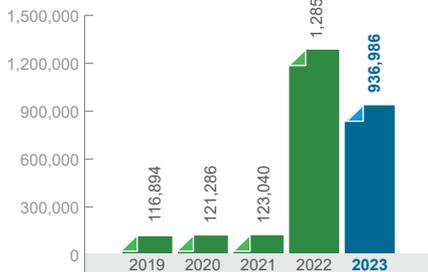
* The Company has commenced a member's voluntary winding up of these subsidiaries on 22 September 2023.

Financial Highlights

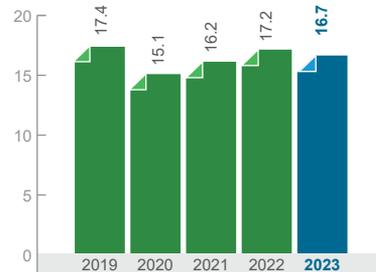
| Financial Year/Period Ended | | 31 August 2019 (12 months) | 31 August 2020 (12 months) | 31 August 2021 (12 months) | 31 December 2022 (16 months) | 31 December 2023 (12 months) |
|--|--------|----------------------------------|----------------------------------|----------------------------------|------------------------------------|------------------------------------|
| KEY FINANCIALS | | | | | | |
| Revenue | RM'000 | 116,894 | 121,286 | 123,040 | 1,285,701 | 936,986 |
| Gross Profit (GP) | RM'000 | 20,359 | 18,361 | 19,949 | 221,139 | 156,179 |
| GP Margin | % | 17.4 | 15.1 | 16.2 | 17.2 | 16.7 |
| Profit/(Loss) Before Tax PBT/ (LBT) | RM'000 | 7,219 | (7,620) | 537 | 115,615 | 57,182 |
| PBT/(LBT) Margin | % | 6.2 | (6.3) | 0.4 | 9.0 | 6.1 |
| Profit/(Loss) After Tax PAT/ (LAT) | RM'000 | 5,521 | (7,891) | 1,916 | 98,041 | 42,078 |
| PAT/(LAT) Margin | % | 4.7 | (6.5) | 1.6 | 7.6 | 4.5 |
| Basic Earnings/(Loss) Per Share (Basic EPS) | sen | 2.40 | (3.34) | 0.68 | 4.01 | 1.53 |

Table 1: 5 years Financial Highlights

REVENUE (RM'000)



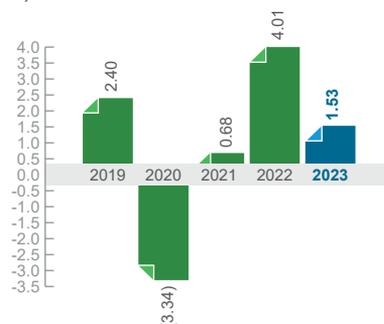
GP MARGIN (%)



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



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





SIRIM
MS 49: 1994
PY008601



*KAKA 65
(15:15:15)



*KAKA 55
(15:15:6:4+TE)



*KAKA 45
(12:12:17:2+TE)



*KAKA 44
(12:6:22:3+TE)



KAKA 45 SPECIAL
(12:12:17-2+B+Zn)



KAKA 105
(10:5:20:2+TE)



BAJA KAWAN 136
(13:6:23:2+TE)



KAMAS SUPER
(12:32:MgO+CaO)



KAKA 168+B+TE
(16:8+B+TE)
Enriched with TRANSFORMER



KAKA 828+B
(8:28+B)
Enriched with TRANSFORMER



CERIA 123
(12:5:23:1+0.5B+OM)
Enriched with TRANSFORMER

*With Malaysia SIRIM Certification



Since 1963

CHB

Hextar • Baja



CHB 44
(12:6:22:3+TE)



CHB 45
(12:12:17:2+TE)



CHB 55
(15:15:6:4+TE)



CHB 65
(15:15:15+TE)



CHB EMAS 123
(12:5:23:1+0.5B+OM)
Enriched with TRANSFORMER



CHB 168+B+TE
(16:8+B+TE)
Enriched with TRANSFORMER



CHB 828+B
(8:28+B)
Enriched with TRANSFORMER



CHB 666
Plant Organic +E.M.



MPOB F2
(10.7:9.1:17.3:1.4+B)



MPOB F5 Super
(10:6:19:2.5+0.5B)



SUPER-K
(7:3:30+B+Si)

Board of Directors



From left to right :

OON
SEOW
LING

SHAM
WENG
KONG,
ALEX

DATO
SRI
CHEE
HONG
LEONG

DATO'
CHAN
CHOUN
SIEN

ANG
SUI
AIK,
BENNY

ONG
TZU
CHUEN

SHAHJANAZ
BINTI DATUK
KAMARUDDIN

Profile of Directors



DATO' CHAN CHOUN SIEN

*Independent Non-Executive Chairman
Member of Risk Management Committee*

Aged : 53

Nationality : Malaysian

Gender : Male

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 attended a leadership programme in INSEAD from 2010-2011. He is a member of CPA Australia.

Dato' Chan was previously Managing Director, Investment Banking of a leading investment bank with over 24 years of experience in corporate finance and investment banking as well as private banking covering Southeast Asia. He was named as one of the top 10 investment bankers in Asia (outside Japan) by Brendan Wood International Journal in 2006.

Dato' Chan is currently the Deputy Chairman of the Finance and Capital Market Committee of the Associated Chinese Chambers of Commerce and Industry of Malaysia. He was the immediate past President and a current committee member of the Malaysian Mergers and Acquisition Association.

Currently, he is also an Independent Non-Executive Director of Tan Chong Motor Holdings Berhad.

He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest and/or potential conflict of interest, including any interest in any competing business with Hextar Industries Berhad or its subsidiaries.

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 December 2023.

Profile of Directors

cont'd



ANG SUI AIK, BENNY

Group Managing Director

Aged : 65

Nationality : Malaysian

Gender : Male

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 in Agriculture (Hons.), majoring in soil science and plant nutrition.

He has been in the agricultural industry since his graduation in 1982. He commenced his career with Behn Meyer (M) Sdn Bhd where he has extensive experience in business development, agronomy advisory services to plantations, fertilisers and agrochemicals for 17 years. Thereafter, he joined Taiko Marketing (Fertilizer) Sdn Bhd ("Taiko") for 13 years to expand Taiko fertilizer business to East Malaysia and Indonesia. The last position he held in Taiko was Managing Director. In 2013, he joined Hextar Fertilizers Group of Companies ("Hextar Fertilizers") as Managing Director. He was involved in managing, overseeing the operations of Hextar Fertilizers as well as the expansion of Hextar Fertilizers in the overseas market. In 2018, he was promoted to Group Managing Director of Hextar Fertilisers where he continues undertaking his previous responsibilities. He was subsequently redesignated as HIB Group's Managing Director in January 2021 where he assumed his current responsibilities.

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 and/or potential conflict of interest, including any interest in any competing business with Hextar Industries Berhad or its subsidiaries.

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 December 2023.

Profile of Directors

cont'd



SHAM WENG KONG, ALEX

*Executive Director
Member of Risk Management Committee*

Aged : 47

Nationality : Malaysian

Gender : Male

Sham Weng Kong was appointed to the Board as the Executive Director of the Company on 30 December 2022.

He graduated with a Bachelor's Degree in Business and Marketing from University Tun Abdul Razak.

He has over 20 years of working experience in the fertiliser industry. In 1999, he started his career as a Sales Executive, where he was involved in the sales of fertiliser products. In 2003, he was then promoted to Sales Manager, where he was in charge of managing the sales team. Subsequently, in 2005, he was promoted to General Manager, where he was responsible for the entire operations of the fertiliser business. In 2007, he joined Hextar Fertilizers Sdn Bhd as General Manager where he was involved in the start-up and growth of the fertilisers business of the company. In 2010, he was promoted to Marketing Director where he was responsible for the expansion of the fertiliser business in the export market. In 2018, he was promoted to Managing Director of HFL Group where he was responsible for managing the fertiliser segment of the group covering Malaysia as well as the export markets including Indonesia, Vietnam, Myanmar and Thailand. In 2019, he was appointed as Director of Hextar Solutions Sdn Bhd to oversee its entire operations in Malaysia. In 2022, following the HFL Acquisition, he was redesignated as the Executive Director of HIB Group where he assumed his current responsibilities.

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 and/or potential conflict of interest, including any interest in any competing business with Hextar Industries Berhad or its subsidiaries.

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 31 December 2023.

Profile of Directors

cont'd



ONG TZU CHUEN

Non-Independent Non-Executive Director

Aged : 40

Nationality : Malaysian

Gender : Female

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 Southeast Asia.

Currently, she is the Executive Director for KIP REIT Management Sdn. Bhd., which manages KIP REIT Estate Investment Trust that is listed on the Main Market. She does not hold directorship in any other public listed companies. She is the sister of Dato' Ong Choo Meng, and daughter of Dato' Ong Soon Ho, both the Major Shareholders of the Company and other than that, she has no other conflict of interest and/or potential conflict of interest, including any interest in any competing business with Hextar Industries Berhad or its subsidiaries.

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 ended 31 December 2023.

Profile of Directors

cont'd



DATO SRI CHEE HONG LEONG

*Independent Non-Executive Director
Chairman of Risk Management Committee and Nomination and Remuneration Committee
Member of Audit Committee*

Aged : 59

Nationality : Malaysian

Gender : Male

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 has recently earned an Honorary Doctor of Business Administration from SEGI University in December 2023. He began his career in the year 1990 coordinating the development in corporate and annual strategic plans for Leisure Holidays Group of Companies. In year 1992, he 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 year 1998 to year 2002, where he held various positions from General Manager to Executive Director/ Chief Operating Officer.

In 2003, he joined SYF Resources Berhad (now known as M&A Equity Holdings Berhad), as Independent Non-Executive Director and was subsequently appointed as Executive Director on 2 December 2011 till to-date. In 2023, he was appointed as the Executive Director of Ho Hup Construction Company Berhad and is involved in the strategic planning and business development of the company. In March 2024, he resigned as Executive Director and was appointed as Chief Executive Officer of the company. He is also the Non-Independent Non-Executive Director of 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 and/or potential conflict of interest, including any interest in any competing business with Hextar Industries Berhad or its subsidiaries.

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 December 2023.

Profile of Directors

cont'd



OON SEOW LING

*Independent Non-Executive Director
Chairperson of Audit Committee
Member of Nomination and Remuneration Committee*

Aged : 51

Nationality : Malaysian

Gender : Female

Oon Seow Ling was appointed to the Board as an Independent Non-Executive Director of the Company on 1 July 2023.

She graduated from Tunku Abdul Rahman College with a foundation in MICPA. She obtained her professional qualification from The Malaysian Institute of Certified Public Accountants (MICPA) and has been a member of Malaysian Institute of Accountants (MIA) since 2000. She has more than 25 years of experience in finance related functions, holding various financial positions in public listed companies.

In 1995, she began her career at BDO PLT as an Audit Assistant, where she was involved in providing auditing services. She was promoted to Audit Senior in 1999 and had left BDO PLT in 2001. In 2001, she joined RNC Corporation Berhad as the Group Finance Manager and oversaw the company's financial operations. Thereafter, in 2005, she left RNC Corporation Berhad and joined K-One Technology Berhad in the same year as Group Finance Manager and was subsequently promoted to Group Finance Director in 2008 where she was responsible for overseeing the financial operations of the Group, establishing strategies and budgets as well as leading cost control measures undertaken by the Group. She was also involved in the group financial statements reporting and ensuring compliance of listing requirements. In 2011, she left K-One Technology Berhad to join Peter Ooi & Co PLT as a Business Consulting Director where she was involved in spearheading business growth, research new market opportunities and develop a network of contracts for business opportunities.

She does not hold directorships in any other public listed companies. She does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest and/or potential conflict of interest, including any interest in any competing business with Hextar Industries Berhad or its subsidiaries.

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 ended 31 December 2023.

Profile of Directors

cont'd



SHAHJANAZ BINTI DATUK KAMARUDDIN

*Independent Non-Executive Director
Member of Audit Committee and Nomination and
Remuneration Committee*

Aged : 59

Nationality : Malaysian

Gender : Female

Shahjanaz Binti Datuk Kamaruddin was appointed to the Board as an Independent Non-Executive Director of the Company on 1 March 2024.

She graduated from the University of Kent at Canterbury with Bachelor's Degree in Law and was called to the Bar at Lincoln's Inn, London, in 1987. She was also called to the Malaysian Bar the following year. From 2008 to 2018, she was an active member of the Malaysian Corporate Counsels Association (MCCA).

She is a UK trained legal professional with 28 years of extensive experience in legal and company secretarial roles within leading Government-Linked Companies. She began her career at Golden Hope Plantations Berhad (now part of Sime Darby) and later transitioned to Malaysia Airlines, where she held various key positions including Group General Counsel and Company Secretary. During her career she gained valuable insights into corporate governance and compliance within the plantations and aviation industries that exposed her to the workings of key economic contributors to the nation's economy, as well as exposed her to the demands of a highly regulated and complex business environment. In 2019 she became a partner at Azlin Shaharbi and Associates, a boutique law firm founded in 1990 specialising in conveyancing and corporate advisory work. In 2012, Shahjanaz began her freelance content writing career, offering her content writing/editing services to a variety of clients, including government ministries, textbook publishers, retail/e-commerce/news websites, non-profit bodies and corporate training institutes.

She does not hold directorships in any other public listed companies. She does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest and/or potential conflict of interest, including any interest in any competing business with Hextar Industries Berhad or its subsidiaries.

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 ended 31 December 2023.

Key Senior Management



From left to right :

MARTIN
LEE

WONG
KIN
SENG

LEONG
HIN
KIEAT

ANG
SUI
AIK,
BENNY

SHAM
WENG
KONG,
ALEX

LEE
KOK
PING,
SEAN

KE
TUNG
CHEN

Key Management Profiles



LEONG HIN KIEAT

*Managing Director of
PK Fertilizers Group of Companies*

Nationality



Age

56

Gender

M

Leong Hin Kieat is the Managing Director of PK Fertilizers Group of Companies and is responsible for leading and spearheading the strategic direction, as well as managing the daily operations of the PK Fertilizers Group of Companies.

In 1991, he graduated with a Bachelor's Degree (Hons) in Agricultural Science from University Pertanian Malaysia. In the same year, he began his career as a techno commercial executive at Peladang Kimia Berhad (later known as PK Resources Berhad) in sales and marketing. In 2008, he became the executive director, overseeing operations and expanding the business into Indonesia and Pacific Island countries. In 2018, he assumed his current position as the Managing Director where he was responsible for managing the fertilizer business of PK Fertilizers Group of Companies.

Currently, he serves as the Chairman of Fertilizer Industry Association of Malaysia (FIAM) and an Honorary Exco Member for Chemical Industry Council of Malaysia (CICM). Through his leadership roles, he has played a vital role in advancing the growth of the industry and promoting its sustainable development.

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 and/or potential conflict of interest, including any interest in any competing business with Hextar Industries Berhad or its subsidiaries.

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 31 December 2023

Key Management Profiles

cont'd



WONG KIN SENG

*Managing Director of
Heavy Equipment Division*

Nationality



Age

53

Gender

M

Wong Kin Seng joined the team in 1988. With over three decades of experience under his belt, he has gained an extensive understanding of our organization through various operations and sales roles. He was promoted to Managing Director in year 2018 where he was responsible overseeing the entire operations of the heavy equipment division. His dedication to learning and passion for the industry has allowed him to develop a deep understanding of the market, enabling him to effectively lead our group's heavy equipment business.

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 and/or potential conflict of interest, including any interest in any competing business with Hextar Industries Berhad or its subsidiaries.

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 31 December 2023.

Key Management Profiles

cont'd



MARTIN LEE

*Chief Executive Officer of
Equipment Rental Division*

Nationality



Age

46

Gender

M

Martin was appointed as the Chief Executive Officer of Equipment Rental Division on 1 July 2022.

He holds a Bachelor of Science (Hons) in Computing from the University of Portsmouth, U.K, and a Master of Science in Business Information Technology from the University of Northumbria, U.K. With over 20 years of experience in the Heating, Ventilation and Air Conditioning (HVAC) industry, he has been involved in the construction, operations and maintenance of multiple District Cooling Plants with various public listed companies. Prior to joining the group, he also has experience in the rental industry, where he rented HVAC equipment to various industries including commercial, residential, manufacturing, oil and gas, healthcare, semiconductors, and chemical.

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 and/or potential conflict of interest, including any interest in any competing business with Hextar Industries Berhad or its subsidiaries.

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 31 December 2023.

Key Management Profiles

cont'd



KE TUNG CHEN

*Managing Director of
Engineering Solutions Division*

Nationality



Age

49

Gender

M

Ke Tung Chen, the founder of Hextar Mitai Sdn Bhd, holds a Bachelor of Engineering with honours, specializing in Mechanical and Manufacturing System Engineering from Sheffield Hallam University in 1999.

He commenced his career as an engineer at renowned establishments such as Sumitomo Electric and Staedtler manufacturing plant. However, driven by an innate entrepreneurial spirit, he ventured into the realm of entrepreneurship, establishing his own engineering company.

With a robust tenure spanning over 20 years, he has amassed invaluable expertise in multi-disciplinary Project Management and Construction. His proficiencies extend across a diverse spectrum, encompassing oil and gas upstream offshore skid fabrication, downstream refinery, petrochemical plant EPC projects, as well as ventures in worldclass amusement theme park projects and the food and beverages industry.

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 and/or potential conflict of interest, including any interest in any competing business with Hextar Industries Berhad or its subsidiaries.

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 31 December 2023.

Key Management Profiles

cont'd



LEE KOK PING, SEAN

*Company Secretary &
Chief Financial Officer*

Nationality



Age

40

Gender

M

Sean was appointed as the Financial Controller on 2 April 2020 and being appointed as the Company Secretary on 11 December 2020. He was subsequently promoted to Chief Financial Officer in 2024 and leading the application of transfer listing from ACE Market to Main Market of Bursa Malaysia. Sean played a pivotal role on the Company's corporate exercise, fundraising activities, merger and acquisitions, which brought the Company's market capitalisation grown by more than 10 times since his joined the Company in 2020.

He is a Chartered Accountant, member of Malaysia Institute of Accountants (MIA), graduated from the Association of Chartered Accountant (ACCA) in December 2006. Prior to his employment in HIB, he was engaged in the management team of two (2) public listed companies for 8 years. He has extensive working experience in leading the finance team with the proven track records on the fundraising activities, corporate exercises, tax planning and risk management.

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 and/or potential conflict of interest, including any interest in any competing business with Hextar Industries Berhad or its subsidiaries.

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 31 December 2023.

Chairman's Statement



Dear Shareholders

On behalf of the Board of Directors of Hextar Industries Berhad (“the Board”), it is my pleasure to present the annual report and financial statements of the Company and its subsidiaries (“HIB” or “the Group”) for the financial year ended 31 December 2023 (“FYE2023”).

Dato' Chan Choun Sien
Independent Non-Executive Chairman

BOARD AND LEADERSHIP UPDATES

In May 2023, the Group made a decision to streamline the Board's Nomination Committee and Remuneration Committee into a single Nomination and Remuneration Committee (“NRC”). The merger of these two committees, which are exclusively made up of independent non-executive directors, will allow the relevant directors to discharge their duties and responsibilities more efficiently.

During the year, we saw the resignation of Mr. Sim Yee Fuan (“Mr. Sim”) from the Board. Mr. Sim retired after serving more than 11 years as a board member. His resignation is in line with the 12-year cumulative tenure limit set out in Bursa Malaysia's Listing Requirements for independent and non-executive directors. We are extremely grateful for Mr. Sim's invaluable contribution over the years, especially in his role as the Chairman of the Audit Committee. On behalf of everyone at HIB, we would like to wish him the very best in his future endeavors.

We would like to extend a very warm welcome to Ms. Oon Seow Ling (“Ms. Oon”), who was appointed to the Board as an Independent and Non-Executive Director on 1 July 2023. Subsequently, she was appointed as the Chairperson of the Audit Committee and a member of the NRC. Ms. Oon is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants and has vast experience in auditing, accounting, finance, administration and business development.

On the same note, we are delighted to also welcome Ms. Shahjanaz bt. Datuk Kamaruddin (“Ms. Shahjanaz”) to our Board as an Independent and Non-Executive Director on 1 March 2024. Ms. Shahjanaz, is a trained legal professional. Her career was predominantly in the role of in-house general counsel and company secretary and have spent 20 years with our national flag carrier, Malaysian Airlines System Berhad. Ms. Shahjanaz was subsequently appointed as member of the Audit Committee and NRC.

Chairman's Statement

cont'd

The Board is looking forward to leveraging on the wealth of experience and insight that both Ms. Oon and Ms. Shahjanaz bring to the Board. The appointment of these two new female directors is also a reflection of the Group's commitment towards embracing board gender diversity as we believe that diversity, equity and inclusion will make our Group stronger and more competitive in the long term.

OPERATING LANDSCAPE AND PERFORMANCE SNAPSHOT

The global economy was impacted by slower global trade, the global tech downcycle, geopolitical tensions and tighter monetary policies in 2023. At home, the Malaysian economy slowed down with gross domestic product growth ("GDP") recorded at 3.7% for the year. HIB's core businesses were impacted by the slower GDP growth and other factors such as the weakening of the Ringgit, softening of fertiliser prices in the global market and supply chain disruptions. In spite of this, the Group was able to turn in a commendable performance for the year under review.

For FYE2023, HIB registered a consolidated revenue of RM937 million and a consolidated net profit of RM42.1 million, even after accounting for the impairment of goodwill of RM14.4 million.

In our continuous efforts to reward our shareholders, the Company paid a second interim single-tier dividends of 1 sen per ordinary share on 15 March 2024. Accordingly, the Company had paid out a total dividend of approximately RM55 million or two (2) sen per ordinary share in respect of financial year ended 31 December 2023.

A more thorough review of our performance is detailed in the Management Discussion and Analysis section of this Annual Report.

SETTING NEW MILESTONES FOR GREATER GROWTH

The Company had on 29 November 2023 submitted its application to seek a transfer of the listing and quotation of our entire share capital from the ACE Market to Main Market of Bursa Malaysia Securities Berhad. Our proposal for the transfer to the Main Market is another significant step in our journey to grow the business, broaden capability and elevate the position of the Company since our initial listing on the ACE Market in 2014.

The transfer to the Main Market will also provide the Group with greater recognition and acceptance by investors, especially local and foreign institutional investors.

CORPORATE DEVELOPMENTS

The Company is constantly identifying opportunities that will unlock synergies with our businesses.

On 24 October 2023, the Company completed the acquisition of 100% equity interest of Pacific Office (M) Sdn Bhd ("Pacific Office") for a total cash consideration of RM16.5 million. Pacific Office is one of Malaysia's leading stationery and office supply companies with a strong track record that spans over 33 years. The Company will be tapping potential synergies between our existing businesses and Pacific Office's business through Pacific Office's extensive database of more than 3,000 active customers nationwide.

On 15 December 2023, HIB has entered into a Share Sale Agreement with Hextar Holdings Sdn. Bhd., to acquire 70% equity interest of Hextar Mitai Sdn. Bhd. ("HMT") for a cash consideration of RM4.55 million. HMT is a one-stop engineering solutions company that provides procurement, construction and commission services to a wide range of industries. Among HMT's products is decontamination equipment and system that meet international standards. This acquisition would allow HIB to have immediate access to specialised engineering capabilities that can complement our existing businesses. and to serve new and existing clients with the in-house and tailor-made engineering solutions.

Chairman's Statement

cont'd

EMBRACING SUSTAINABLE BEST PRACTICES

The Company strongly believes that embracing the principles of sustainability is fundamental to long-term value creation. In this regard, the Board continues to play a leadership role in sustainability matters driving the Group's sustainability strategy and providing oversight on all sustainability initiatives.

We also acknowledge the impact of our business operations on the local economy, environment and society at large. In view of this, the Board, together with the support from the management team will steer the Group towards meeting its Net Zero Carbon Emissions target by 2050.

During the year under review, the Group carried out a series of initiatives in accordance with our sustainability strategy, which is aligned to the pillars of EESG (Economic, Environment, Social and Governance). We are pleased to share with you the details of our goals and initiatives in the Sustainability Statement of this Annual Report.

ACKNOWLEDGMENT

I would like to take this opportunity to thank my fellow Board members for their contribution and oversight in carrying out the Board's leadership and fiduciary duties.

On behalf of the Group, I also wish to express my sincere appreciation to our management team and employees for their hard work, loyalty and integrity. You are clearly the driving force behind our achievements and future success.

Last but not least, I would like to convey my gratitude to our valued shareholders and customers for their continued loyalty and support.

Dato' Chan Choun Sien

Independent Non-Executive Chairman



OUR CORE VALUES



Integrity



Loyalty



Hard Work



Sustainability Statement



Hextar Industries Berhad (“**HIB**” or “**the Company**”), together with its subsidiaries (“**the Group**” or “**HIB Group**”) is steadfast in its belief that sustainability is fundamental to fostering long-term value creation for both people and planet. We acknowledge the impact our diverse business operations have on the local economy, the environment, and society at large. This awareness underpins our commitment to being a responsible corporate citizen. As a company that is involved in various industries, we are dedicated to driving sustainable practices in each sector we operate in. Our goal is to ensure that our growth is aligned with our global stewardship principles.

The Board of Directors (“**the Board**”) is pleased to present the Sustainability Statement for the financial year ended 31 December 2023 (“**FYE 2023**”). This Statement describes our strategic approach to sustainability in view of the Economic, Environmental, Social and Governance (“**EESG**”) framework.

Introduction

The Board of Hextar Industries Berhad (HIB) believes that introducing Environmental, Social, and Governance (ESG) considerations into its business decisions are essential towards achieving long-term success while creating tangible value for all its stakeholders. Embracing ESG also empowers communities, encourages social inclusivity and safeguards the environment. In terms of climate change, HIB is committed to reinforcing its efforts towards decarbonization.

Balancing ESG with the interests of HIB’s stakeholders can improve investors’ perception and public trust. In addition, climate change also directly and indirectly affects our profitability and growth. As such, it is critical that we mitigate climate-related risks as soon as possible.

As a responsible corporate citizen, HIB has an obligation to make the world a better place to live in and this can be achieved through responsible investing. Furthermore, we have also incorporated our core values of Integrity, Loyalty, and Hard Work into our “ESG” policy.

Scope and Reporting Period

This report covers the Group’s sustainability strategies, initiatives and performances within the EESG framework in entities controlled by HIB from January 2023 to 31 December 2023. Pacific Office (M) Sdn. Bhd. and Hextar Mitai Sdn. Bhd. have been excluded in this report as they were acquired at the end of 2023. This report covers our core business segments, namely Fertilisers and Industrial Products.

Sustainability Statement

cont'd

| Reporting Guidelines and Principles | Feedback |
|--|---|
| <p>This Sustainability Statement was prepared in accordance to the Bursa Malaysia Securities Berhad's ("Bursa Securities") Sustainability Reporting Guide (3rd edition) and the ACE Market Listing Requirement relating to the Sustainability Statement.</p> <p>We have also made reference to the United Nations Sustainable Development Goals ("UNSDG") in mapping our material sustainability matters and developing the Group's sustainability strategies.</p> | <p>HIB welcomes all stakeholders' feedbacks or suggestions on this Sustainability Statement or any relevant sustainability matters concerned. Relevant comments or feedbacks can be directed to www.hextarindustries.com/enquiry/.</p> |

SUSTAINABILITY COMMITMENT

Our Group is dedicated towards creating a sustainable future for our diverse stakeholders. We continue to explore innovative solutions to further strengthen our sustainability performance under our ESG Policy. Some of the key commitments stated in our ESG Policy include: -

To create long term value creation by improving investor perception and gaining public trust.

To invest responsibly with the goal of making the world a better place.

To identify, respond and regularly monitor potential impact of our business in terms of occupational health and safety, environment and society.

To uphold corporate integrity across the Group, HIB's investee companies, shareholders and our employees.

HIB is committed to achieving Net Zero Carbon Emissions by 2050. We are also, aligned with the principles set out in of the United Nation's Sustainable Development Goals (UN-SDG) and Malaysia's Shared Prosperity Vision 2030 (SPV2030). Our approach includes investing in low-carbon, efficient technologies, and renewable energy sources. This strategy not only supports our decarbonization pathway but also ensures long-term value creation for our organization and stakeholders. We pledge to maintain transparency by regularly updating our progress towards these significant environmental and sustainability goals.

All in all, the Group is committed to building a more resilient and equitable society that can continue to thrive over the long run, while minimising the impact of our operations on the planet and its ecosystems.

Sustainability Statement

cont'd

SUSTAINABILITY GOVERNANCE

HIB has a Sustainability Governance Structure that clearly defines the roles and responsibilities of those within our organisation who will be facilitating the development and implementation of sustainable policies and procedures.

Sustainability Governance Structure



Board of Directors

The Sustainability Governance Structure is helmed by the Board of Directors (“the Board”) of HIB. The Board is responsible for evaluating and endorsing the strategic direction of the Group, including all matters related to sustainability.

The Board acknowledges its role in setting the “tone from the top” and to inculcate good governance across the Group. In this regard, the Board is ultimately responsible for the Group’s long-term sustainability strategies and ensures that our objectives are accomplished through proper management and monitoring. The Board is continuously looking at ways to ensure that sustainability remains front and centre of its corporate strategy. The Board oversees material sustainability matters in all aspects including climate change issues that may affect HIB. Actions taken to manage climate related risk are integrated into our strategic corporate plans.

Risk Management Committee (RMC)

Sustainability risks are being identified by the RMC and are included into the Group’s overall risk management approach. These risks include, amongst others, environmental compliance, labour and human rights, occupational safety and health. Sustainability risks are progressively embedded into the Group’s risk framework and the potential and actual impact of material sustainability topics will be closely monitored and assessed.

The overall role of the RMC is also to provide assistance to the Board in fulfilling its oversight responsibilities on sustainability governance, including setting strategies, priorities and targets, and implementing initiatives to address sustainability matters and material sustainability risks and opportunities within the Group. The RMC meets at least twice a year. The RMC also reviews sustainability reporting and makes recommendations to the Board for approval.

Sustainability Statement

cont'd

Sustainability Committee

The Sustainability Committee oversees the execution of the Group's sustainability agenda. The Sustainability Committee is responsible for the implementation of HIB's sustainability-related policies. It also monitors and measures actions and initiatives undertaken to achieve sustainability milestones and goals.

The Sustainability Committee is led by the Group Managing Director, Executive Director and Chief Financial Officer, whose collective responsibilities encompass a range of strategic and operational roles including:

- advising and recommending to the Board the over-arching business strategies and sustainability policies
- monitoring the implementation of sustainability strategies as approved by the Board
- identifying and managing material sustainability matters
- overseeing the preparation of sustainability disclosures as required by law and recommending them to the Board for approval.

Team Leads

The alignment of the sustainability activities, progress and achievements to the HIB agenda is overseen by the Team Leads from the respective department and/or division ("Team Leads"). The Team Lead ensure the effective development, integration and implementation of HIB's objective and initiatives. Team Leads also provide advisory support, hands-on management as well as data collection in relation to the identified material sustainability matters.

COMMITMENT TO STAKEHOLDER ENGAGEMENT

We strive to maintain strong relationships with our stakeholders and keep a pulse on their evolving concerns in relation to material matters. In line with this, we actively engage with our stakeholders on a regular basis via various platforms to keep us apprised of their views and perspectives vis-a-vis our sustainability practices.

The following summary showcases our engagement efforts with key stakeholders during the year under review:

| Stakeholders | Stakeholders' Concerns/ Material Matters | Engagement Methods |
|---|---|---|
| Shareholders/ Investors  | <ul style="list-style-type: none"> • Share price performance • Business performance • Business growth plans • Return on investments • Corporate governance | <ul style="list-style-type: none"> • Company website • General meetings • Quarterly financial results and annual report • Bursa announcement |
| Government/ Authorities  | <ul style="list-style-type: none"> • Corporate governance • Permits and licenses • Regulatory compliance • Occupational safety and health | <ul style="list-style-type: none"> • Meetings/visits • Verification/compliance audit • Bursa announcement • Ad-hoc report submission as and when needed by regulators/law enforcers |

Sustainability Statement

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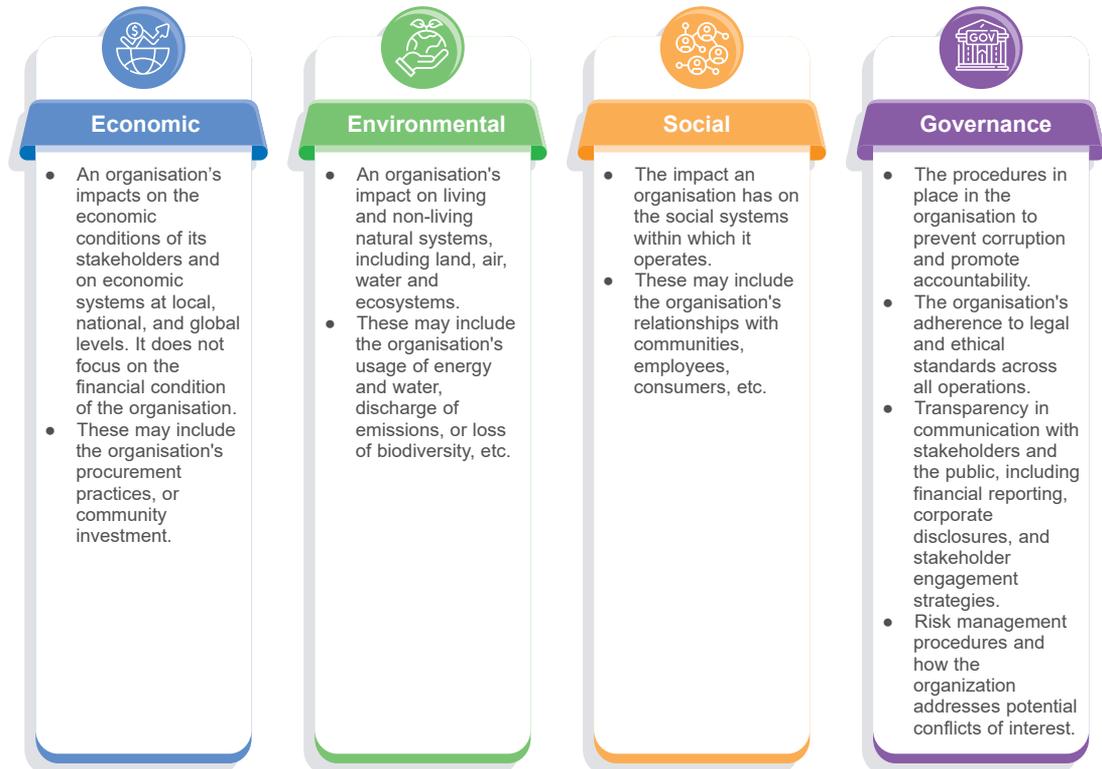
| Stakeholders | Stakeholders' Concerns/ Material Matters | Engagement Methods |
|---|---|---|
| Board  | <ul style="list-style-type: none"> Financial and operational performance Business strategic planning Continuous business and operational improvements Interest of various stakeholders and shareholders | <ul style="list-style-type: none"> Board meetings General meetings Company events |
| Employees  | <ul style="list-style-type: none"> Training and career development opportunities Talent and performance management Occupational safety and health Competitive remuneration and benefit packages | <ul style="list-style-type: none"> Training programs Regular engagement with Senior Management Performance appraisal Company events Memo/newsletter In-house mobile application |
| Bankers  | <ul style="list-style-type: none"> Financial and operational performance Repayment capabilities | <ul style="list-style-type: none"> Meetings/visits Bursa announcement Media release |
| Customers  | <ul style="list-style-type: none"> Product quality and pricing Customer satisfaction Technological innovation New products development Competitive pricing and on-time delivery | <ul style="list-style-type: none"> Regular meetings Feedback survey Product training Advertisement and marketing events Company website/social media Phone calls/email communications |
| Suppliers  | <ul style="list-style-type: none"> Long-term business relationships Supply chain management Selection of suppliers and credit terms Compliance to anti-corruption standards/integrity | <ul style="list-style-type: none"> Face-to-face interaction Email communications Supplier evaluation |
| Community  | <ul style="list-style-type: none"> Local job creation opportunities Environmental impact arising from daily operation Domestic economic support Community wellbeing | <ul style="list-style-type: none"> Corporate Social Responsibility ("CSR") program Company website/social media |
| Analyst/Media  | <ul style="list-style-type: none"> Financial and operational performance Business strategic plan Corporate governance | <ul style="list-style-type: none"> General meetings Media interviews and conferences Media release |

Sustainability Statement

cont'd

MATERIALITY ASSESSMENT AND APPROACH

Our sustainability framework is viewed in the context EESG. This framework guides our strategic decision-making and operational practices, ensuring that we not only thrive economically but also contribute positively to our planet and society while upholding the highest standards of corporate governance.

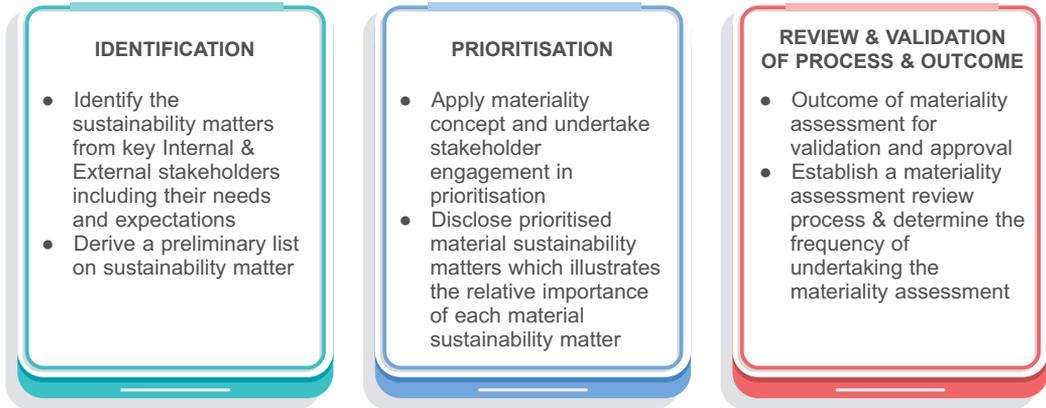


Our materiality assessment allows us to identify and address relevant sustainability matters that are of greatest priority to the Group and our stakeholders. In identifying relevant sustainability matters, we rely on our engagements with our stakeholders throughout the year. We also refer to internal sources such as discussions with the Board and employees, reviewing our business strategies and policies and studying our risk management processes. In terms of external sources, we refer to Bursa Malaysia listing requirement (and the guide) and UNSDGs.

Sustainability Statement

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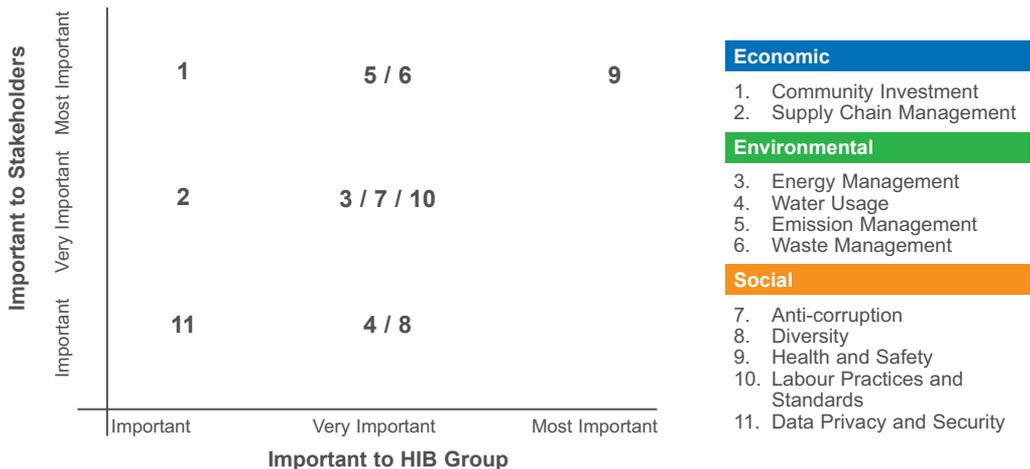
Material assessment serves as an important step towards developing our corporate sustainability strategies as it allows us to identify and prioritize material sustainability matters that are most relevant to our stakeholders and business operations. Our materiality assessment approach are as follows: -



The Materiality Outcome reflects the importance or significance of material topics to the Group’s business operations and to stakeholder groups. It must be made clear that a topic deemed significant is not by default an indication that the topic is a high-risk topic to the Group. Neither does it indicate that the Group has an issue in managing the said topic. It is only expression of views that this topic, given the present operating landscape and business context is likely to be important to sustain value creation, both to the Group and its stakeholders.

Subsequent to our thorough assessment, we have refined our focus to eleven material matters. We will persist in our vigilance over these issues, as represented in our materiality matrix, to ensure they align with our evolving corporate strategy and stakeholder interests.

Materiality Assessment



Sustainability Statement

cont'd

RISKS AND OPPORTUNITIES

We have broadened our Risk Management framework to include sustainability and climate-related risks, further enhancing our comprehensive oversight across corporate, financial, and operational dimensions. We recognise that sustainability encompasses more than just environmental issues. It represents a critical framework for ensuring long-term business resilience and growth. In light of this, we actively evaluate the risks and opportunities associated with the material matters, aiming to effectively mitigate these risks while seizing opportunities to generate value for our stakeholders and make a positive impact on the community.

| Material Matters | Important to the Group | Key Risks | Opportunities | Management Action Plan |
|--------------------------------|--|--|--|---|
| Community Investment | Important for building strong relationships with local communities to create positive social and environmental impact. | Community opposition, reputational damage, operational disruptions. | Stronger community ties, support for local initiatives, enhancing brand image. | Engage in community development projects and establish community dialogue mechanisms. |
| Supply Chain Management | Supply chain management including support to local suppliers, adherence to significant environmental and social standards. | Supply disruptions, reputational damage from supplier practices, restriction to market growth and expansion, | Risk mitigation, cost savings through efficiency, resilience against disruptions, competitive advantage. | Implement supplier risk assessment annually; explore strategic partnerships to diversify supply sources. |
| Energy Management | Strategic energy management is essential for cost reduction, operational efficiency, and alignment with national sustainability goals. | High energy costs, dependency on non-renewable sources, regulatory penalties. | Energy efficiency reduces costs and emissions. Renewable energy sources provide stability. | Invest in energy-efficient technologies, shift towards renewable energy sources. Set electricity reduction target and periodically review electricity consumptions. |
| Water Usage | Critical for minimising environmental impact and ensuring sustainability in operations. | Excessive use leading to restrictions and higher costs, impact on local communities. | Water recycling can reduce costs, ensure operational continuity, and promote community impact. | Develop and implement water management strategies, including efficient usage and rainwater harvesting. |
| Emission Management | Critical to achieving our goal of net-zero carbon emissions and demonstrates our commitment to combating climate change. | Regulatory penalties, potential operational restrictions, reputational damage. | Improve efficiency and reduced costs. Enhancing corporate image. | Adopt low-emission technologies, set emission reductions target and periodically review the emission consumptions. |

Sustainability Statement

cont'd

| Material Matters | Important to the Group | Key Risks | Opportunities | Management Action Plan |
|---------------------------------------|---|---|---|---|
| Waste Management | High priority due to environmental regulations and the push towards a circular economy. | Non-compliance fines, high disposal costs, negative community impact. | Opportunities for recycling and waste-to-energy projects. | Develop comprehensive waste management and recycling programs; collaborate with local recycling initiatives. |
| Anti-corruption | Critical for legal compliance, reputation, and fostering a culture of integrity and ethical business practices. | Legal penalties, damage to reputation and investor trust, financial losses. | Strengthening stakeholder confidence, enhancing business opportunities and competitive advantage. | Implement strict anti-corruption policies and training, transparent auditing processes and a whistleblower mechanism. |
| Diversity | Enhances innovation, company culture, and market competitiveness. Important for attracting talent and gaining insights into diverse market. | Lack of innovation, potential for discrimination claims, talent acquisition challenges. | Broader talent pool, improved decision-making, better customer insights. | Implement diversity and inclusion programs, provide training, and set diversity goals. |
| Health and Safety | Prioritising the health and safety of workforce is critical for maintaining operational excellence and corporate reputation. | Workplace accidents, non-compliance fines, increased insurance costs. | Enhance employee satisfaction, reduce operational interruptions, improve productivity. | Implement comprehensive safety training, emergency preparedness plans, and invest in safety technology. |
| Labour Practices and Standards | Adherence to equitable labour practices ensures compliance with labour legislation, promotes a positive organisational culture, and enhances our reputation as an employer of choice. | Non-compliance fines, low employee morale, high turnover rates, labour disputes affecting operations. | Attract and retain talent, enhance productivity and drive innovation. | Develop fair labour practices, ensure safe working conditions, and engage in continuous dialogue with employees. |
| Data Privacy and Security | Crucial for protecting sensitive information and maintaining customer trust. | Data breaches, legal penalties, loss of customer trust. | Competitive advantage by ensuring robust data security, customer trust. | Adopt robust cybersecurity measures and conduct regular data security training. |

Sustainability Statement

cont'd

QUICK GLANCE: FYE 2023 HIGHLIGHTS AND FORWARD-LOOKING OBJECTIVES



Targeted a 10% reduction in GHG emissions by 2030

Installed EV charging station at our corporate office in FYE 2023

To generate 10% electricity from renewable energy source by 2030*

Installed solar PV system at our corporate office in FYE 2023



30% women representation on the Board

33% of the Board of Directors are women as of FYE 2023

30% of management are women

33% of the management are women as of FYE 2023

ZERO tolerance to discrimination, harassment, violence, forced labour and child labour in the workplace

Zero incidence of discrimination or any violence in labour law in FYE 2023

ZERO incidence of fatalities

Zero incidence of fatalities in FYE 2023



ZERO tolerance to bribery and corruption

Zero bribery or corruption case in FYE 2023

ZERO tolerance to privacy breaches or data loss

Zero complaints of privacy breaches and data loss in FYE 2023

* Subject to the practicability of installing the renewable energy system at the manufacturing facilities of the Group

Sustainability Statement

cont'd

ECONOMIC

COMMUNITY INVESTMENT

HIB is deeply committed to community engagement. Our dedication to being a responsible corporate citizen is demonstrated through our active participation in a broad spectrum of social programs and events. We take pride in our contributions to various charitable and social endeavours, reflecting our core values and commitment to the communities we serve. Through these diverse initiatives, HIB aims to create a meaningful impact on the communities we operate in. By investing in education, supporting health and emergency services, and encouraging community and environmental well-being, we strive to not just be a leader in our industry, but also a pillar of support in our society, building a foundation for a sustainable and inclusive future.

Bulker Bags for Flood Cleanup

In March 2023, HIB stepped forward to aid in disaster relief by providing bulker bags to assist in the clean-up of flood-affected areas in Chaah and Labis, Johor. These donated bags are crucial for the appropriate disposal of debris, thereby enabling a safer and cleaner environment to aid the community's recovery. The distribution of these resources has positively impacted around 150 people, showcasing the significant influence that corporate participation can have on environmental preservation and community resilience during periods of hardship.



Partners in Health: St. John Ambulance's Mobile Clinics

HIB demonstrated its ongoing support for St. John Ambulance of Malaysia in August 2023. The donation from HIB supported two mobile clinic projects: one in Kampung Orang Asli Jeram Kedah, Beranang, and the other for the homeless community in Jalan Chow Kit, Kuala Lumpur. These funds were mainly used for medical supplies, benefiting nearly 150 people. It's our way of bringing better health to people and keeping community support going strong.

Charity Walk-Jog-Wheel-A-Thon

In September 2022, HIB made a donation to the 28th Annual Charity Walk-Jog-Wheel-A-Thon 2023, an event organised by The Spastic Children's Association of Selangor and Federal Territory. This marked a continued commitment from the previous year, emphasizing HIB's sustained support for social causes and their dedication to assisting children with spastic disabilities and similar conditions.



Sustainability Statement

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Contribution to PPPTG

In October 2023, HIB has demonstrated its commitment to corporate social responsibility and community involvement by making a donation to the Persatuan Pekilang-Pekilang Telok Gong (PPPTG) on the occasion of their 23rd Anniversary Celebration and Fund-Raising Dinner in 2023. The funds provided by HIB will likely contribute to PPPTG's various initiatives aimed at enhancing the local manufacturing sector, including training programs, infrastructure development, and community outreach efforts.



Plogging 2.0 Project

HIB brought excitement to environmental action through the Plogging 2.0 Project, hosted by the Hextar Foundation with JCI Bandar Klang. On October 2023, a spirited group of more than 300 community members joined forces, turning a day of garbage collection into a treasure hunt that pulled in 1,500 kilograms of waste. This engaging day highlighted our investment in the planet and the power of community spirit in creating cleaner, greener spaces.

Educational Outreach: Funding Facilities and Futures

HIB has recently expanded its involvement in the education sector by donating funds to a number of schools, including SJKC Kong Hoe, SJKC Sin Min, SJKC Kemayan, and SMK Triang, among others. These funds are designated for sprucing up their facilities and bolstering their building funds. HIB's contribution demonstrates not only its investment in education but also its deep commitment to nurturing the next generation. Meanwhile, HIB even dropped off a bunch of fertilisers at SMK Paloh, addressing the needs of an 8-acre palm oil plantation managed by the school. This plantation has been a successful venture, generating income that substantially supports various school programs, benefiting thousands of students and teachers. Overall, HIB's contributions, both monetary and in kind, have positively impacted over 2,000 students and teachers.



Sustainability Statement

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SUPPLY CHAIN MANAGEMENT

Maintaining an effective supply chain is pivotal to the seamless operations of our Group. We continue to ensure the delivery of high-quality products and services by fostering strong relationships with our suppliers.

Within our supply chain management, procurement is a crucial function. We prioritise conducting our procurement activities with the highest level of business integrity to prevent any potential bribery in line with SDG Target 16.5. Additionally, we strive to evaluate and select qualified suppliers on a fair and unbiased basis.

In order to effectively manage and maintain the quality of our supplies, we conduct an annual assessment for all suppliers listed on our approved suppliers list. This assessment takes into account considerations such as price competitiveness, product quality, after-sales support and/or services, product warranties, and the supplier's financial position. We use a rating approach in which suppliers who failed to meet our stringent requirements will be ruled out from the approved suppliers list.

In addition, we are also actively seeking new partnerships that offer better credit terms and product or service quality, in an effort to broaden our pool of qualified suppliers. Our strategy of maintaining a wide range of suppliers helps to mitigate supplier concentration and dependency risks, while ensuring uninterrupted supplies at competitive prices.



Meanwhile, we are committed to support our domestic economy in line with SDG Target 8.1 by sourcing raw materials locally whenever possible. In FYE 2023, our Fertilisers division further strengthened this commitment. Out of 100 suppliers, we sourced from 68% were local, with the remaining 32% being international. Despite the industry is experiencing global fertilisers supply shortage crisis, we worked closely with international fertiliser suppliers to ensure uninterrupted supply of raw materials and to obtain strong pricing support from them.

Whereas our Industrial Products division have engaged 331 suppliers, of which 305 suppliers or 92% were local suppliers and only 8% were overseas suppliers.

In support of the local economy and to mitigate risks in the supply chain, our efforts are directed towards sourcing raw materials and components from domestic suppliers, demonstrating our commitment to supporting domestic markets and reducing dependency on international sources.

Over the past year, we have kept a solid partnership with our suppliers, like SOOSAN CSM Co. Ltd, Robit Plc and Alpha-Plus. We are also thrilled about our sole distributorship agreement with suppliers, which has set the stage for a sustainable and mutually beneficial relationship.

Looking ahead, our dedication to sustainability is unwavering and we will continue to work closely with suppliers to ensure that our operations align with our sustainability goals.



Sustainability Statement

cont'd

ENVIRONMENTAL

As a responsible public listed company, we ensure our business operations in Malaysia strictly adhere to all applicable environmental rules and regulations. We have also established an Environment Policy to provide guidance to our employees in handling environmental compliance matters, with the following objectives: -

- Comply to all relevant environmental laws and regulations
- Integrate environmental considerations in financial planning and decision-making process
- Adopt best practices to avoid/ minimise pollution
- Promote efficient use of natural resources

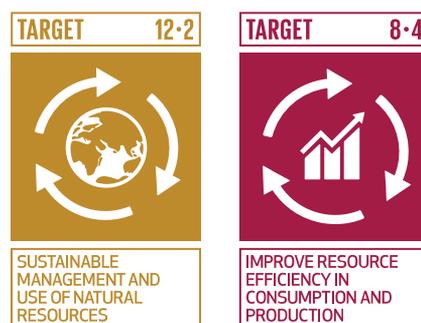
ENERGY MANAGEMENT

With the SDG Target 8.4 and 12.2 in mind, we are committed to manage our resources and energy usage efficiently so as to reduce the relevant environmental impacts and promote sustainable use of natural resources.

In our Fertiliser division, we have adopted environmentally friendly machinery and equipment that can minimise energy consumption while generate optimal outputs, wherever possible. We also conduct regular maintenance to ensure our machinery and equipment operates at their optimal level, thus avoiding energy waste and emission of smoke from machine breakdown.

Whereas in our Industrial Products division, we have procured eco-friendly chillers that comply with the Montreal Protocol by using refrigerants that have zero Ozone Depletion Potential and do not have a phase-out data. These chillers incorporate advanced microchannel coil technology, which reduces refrigerant charge up to 50% and enhances efficiency. Additionally, its Variable Speed Drive technology enables a soft start with lower input current, reducing machinery wear and extending lifespan. Furthermore, using this chiller model can effectively contribute to decreasing greenhouse gas emissions as compared to other chiller models.

Our approach to monitoring energy consumption intensity involves comparing the total electrical usage in kilowatt-hours (kWh) to our production output measured in metric tons (MT) for Fertilisers and total electrical usage in kilowatt-hours for industrial products, as follows:



| Intensity | FY 2023 |
|------------------------------|--------------|
| Fertilisers | |
| Electrical Consumption (kWh) | 5,726,403 |
| Production Output (MT) | 416,173 |
| Intensity kWh/MT | 13.76 kWh/MT |
| Industrial Products | |
| Electrical Consumption (kWh) | 308,405 |

Sustainability Statement

cont'd

Committed to responsible energy management, we diligently monitor our electricity consumption and have set attainable goals reflecting our commitment to sustainable growth. By 2030, we target to generate 10% electricity from renewable energy source. To support our sustainability initiatives further, we have developed a comprehensive action plan, which includes transitioning to energy-efficient LED lighting in all our factories by 2025. This plan not only aligns with our values but also positions us as leaders in sustainable manufacturing practices, driving positive change within our industry and beyond.

In addition, we are pleased to announce the installation of a solar system in our office, marking a significant step forward in our journey towards sustainability. This investment underscores our commitment to reducing our carbon footprint and embracing innovative solutions.



Corporate Office in Kota Bayuemas, Klang, Selangor

WATER USAGE

In our commitment to sustainable resource management, we closely monitor the consumption and efficiency of water used in industrial processes and for general purposes.

| Intensity | FY 2023 |
|-------------------------------------|---------|
| Fertilisers | |
| Water Consumption (m ³) | 111,992 |
| Production Output (MT) | 416,173 |
| Intensity m ³ /MT | 0.27 |
| Industrial products | |
| Water Consumption (m ³) | 4,821 |

In our analysis of water consumption throughout our divisions, it has become apparent that the Fertiliser Division is the predominant user of our water resources. Although the fertiliser segment stands as our main source of revenue, we are unwavering in our dedication to advancing water conservation efforts. Our aim is to reduce water usage and enhance operational efficiency. In pursuit of this aim, we will implement a rainwater harvesting system as part of our strategy, aligning with our long-term goal of establishing more sustainable practices across all operations.

Sustainability Statement

cont'd

In the financial year 2023 and up till to-date, there were no incidences of non-compliance to water quality/ quantity permits, standards and regulations that resulted in any fines, penalties or warnings. We remain committed to diligent monitoring and management of our water usage to ensure ongoing adherence to these standards.

EMISSION MANAGEMENT

As a company with a diverse portfolio, we are uniquely positioned to drive sustainability in various industries. We recognise that our operations, from production processes to the end-use of our products, have environmental implications. Therefore, we are fully committed to tracking and reducing our carbon footprint across our entire operations.

CO2 emissions:

- Scope 1:** Direct GHG emissions from sources that are own operations such as burning fossil fuels on-site, operating company-owned vehicles, or using specific production processes that release greenhouse gasses.
- Scope 2:** Total CO2 emitted refers to indirect emissions from purchased electricity using the location-based method.
- Scope 3:** Total CO2 emitted refers to indirect emissions such as our business travel and employee commuting.

| GHG Emissions Indicator | Unit of Measurement | 2023 (MT) |
|--------------------------|---------------------|---------------|
| Scope 1 | Tonnes CO2e | 2,692 |
| Scope 2 | Tonnes CO2e | 3,839 |
| - Employee commuting | Tonnes CO2e | 20,879 |
| - Business Travel (Land) | Tonnes CO2e | 405 |
| - Business Travel (Air) | Tonnes CO2e | 154 |
| Total Scope 3 | Tonnes CO2e | 21,438 |
| Total Scope 1+2+3 | Tonnes CO2e | 27,969 |

By targeting Net Zero Carbon Emissions by 2050, our company is not merely making a promise but also charting a path for innovation and sustainable development within our industry sectors. In line with this initiative, we have installed an electric vehicle (EV) charging station at our office, marking a proactive step towards emission reduction. The installation of EV charging station at our workplace not only aids in reducing our carbon footprint but also reaffirms our dedication to environmental responsibility. We aim to achieve a 10% reduction in emissions by 2030. Moving forward, we are dedicated to evaluating and implementing cutting-edge solutions that align with our sustainability goals, ensuring our contribution to a cleaner and more sustainable future.



EV Charging Unit at our Corporate Office

Sustainability Statement

cont'd

WASTE MANAGEMENT

As part of the environmental laws and regulations compliance, we ensure proper management and disposal of all wastes and residual materials generated from our business operations.

Within our Industrial Products division, carbon wire wastage is inevitably generated from the wire mesh production. In line with SDG Target 12.2 and 12.5, we make every effort to keep the wastage ratio to the minimal by storing any off-specification wire mesh for modification to fit into any subsequent customer orders that come with similar specifications. In 2023, we collected a total of 32,590kg of scrap wire mesh and appropriately disposed to scrap metal traders for recycling, which helps to conserve natural resources and reduces the amount of waste sent to landfills and incinerators. The responsibility for overseeing waste management in our daily production falls under our production manager.

| | |
|---------------------------------------|------|
| TARGET | 12-5 |
| | |
| SUBSTANTIALLY REDUCE WASTE GENERATION | |

| | |
|---|------|
| TARGET | 12-2 |
| | |
| SUSTAINABLE MANAGEMENT AND USE OF NATURAL RESOURCES | |

Whereas in our Fertiliser Division, we take great pride in our achievement of maintaining zero wastage in our production process. This extends to every aspect of our operations, including the efficient reuse of diesel used by our machinery as lubricant for the equipment. This practice not only underscores our commitment to sustainability but also highlights our dedication to maximising resource efficiency throughout our processes. We are dedicated to sustaining this standard of operations moving forward.

In line with our commitment to environmental sustainability, we are conscious of the environmental impact of our packaging practices. In FYE2023, we deployed a total of 12,966,258 pieces of bulker bags for product packaging. We remain dedicated to continuously exploring alternative packaging solutions that align with our sustainability goals, with the ultimate aim of reducing our environmental footprint while maintaining operational efficiency.

As part of our action plan to support this initiative, we are in the preparatory stages of installing recycling bins within our factories and offices. This strategic move aligns perfectly with our goal to minimise waste, enhance our environmental responsibility, and uphold the highest operational standards.

During 2023, we did not incur any fines or received reports of non-compliance or breaches of waste management practices. There were also no identified reports of non-compliance with environmental laws and regulations.

SOCIAL

ANTI-CORRUPTION

A strong corporate governance is essential for the Group to achieve various sustainability goals. The Group is committed to uphold the highest standards of corporate governance at all times, with a focus on accountability, transparency, integrity and ethical business conducts in order to protect our shareholders' investments, stakeholders' interests as well as the Group's assets.

Sustainability Statement

cont'd

In fostering our business towards SDG 16, our people operations are guided by the following policies implemented across the Group:-

| Corporate Code of Conduct & Ethics (“Code”) | Anti-Bribery and Corruption Policy (“ABCP”) |
|--|--|
| <ul style="list-style-type: none"> • Employees are required: - <ul style="list-style-type: none"> ➢ To act honestly and legally at all times; ➢ To avoid any conducts that could risk or damage the Group’s reputation; ➢ To ensure confidentiality of the Group’s information; and ➢ To avoid personal interest being ahead of the Group’s interest • All applicable laws, rules, and regulations must be adhered to accordingly. • Any conflict of interest must be avoided/ disclosed promptly. • Disclosure of confidential information to unauthorised personnel and insider trading are strictly prohibited • All employees must not engage in any fraudulent or dishonest activity • Discrimination and harassment in workplace are prohibited | <ul style="list-style-type: none"> • As per the Malaysian Anti-Corruption Commission Act 2009 and the the Guidelines on Adequate Procedures issued by the Prime Minister’s Department, the ABC Policy was introduced as part of the Group’s commitment to good corporate governance and to eradicate any form of bribery and corruption. • The Group has zero-tolerance against all forms of bribery and corruption. • The Group is committed to acting professionally, fairly and with integrity in all business relationships and dealings. • Due diligence shall be conducted before entering into any formalised relationship. • “No Gift” policy is implemented. • Facilitation payments are strictly disallowed. |

To support an effective implementation of the ABC policy, the Board has also put in place a Whistleblowing (“WB”) Policy to provide an avenue and structure mechanism for all employees and stakeholders to raise concern or make genuine report on any suspected or known misconduct, abuse, wrongdoings, corruption or fraud.

| Whistle Blowing Policy |
|---|
| <ul style="list-style-type: none"> • To make report for any suspected and/or known fraud or unethical/ improper conducts. • For every disclosure made in good faith, all concerns or complaints raised will be treated fairly and with confidentiality in order to protect the whistle-blower. • The whistleblowing policy has been made aware to all employees under HIB through mandatory orientation programme which were attended by all employees. • Investigation will be conducted and appropriate disciplinary actions will be undertaken, if applicable. |

The Company’s policies are reviewed periodically or upon the announcement of new updates, to ensure alignment with the latest government mandates. The whistleblowing Policy and Anti-Corruption and Bribery Policy are also communicated to 100% of employees periodically, especially to new employees during on-boarding programmes.

| Indicators | 2023 |
|--|------|
| Percentage of employees that have received training on anti-corruption | 100% |
| Percentage of operations assessed for corruption-related risks | 100% |

Sustainability Statement

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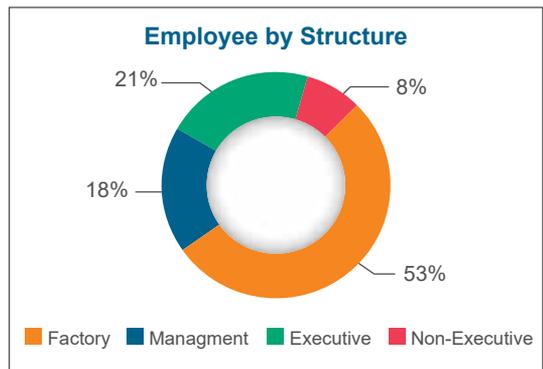
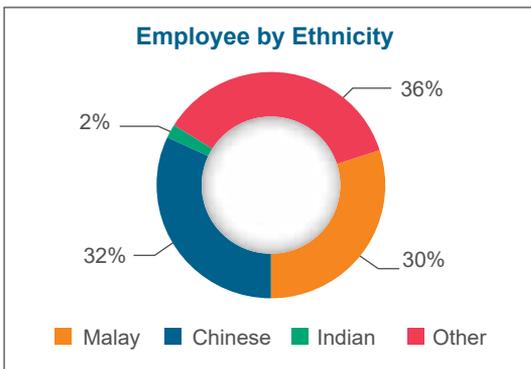
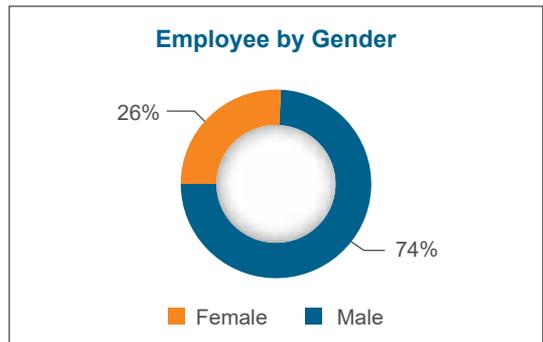
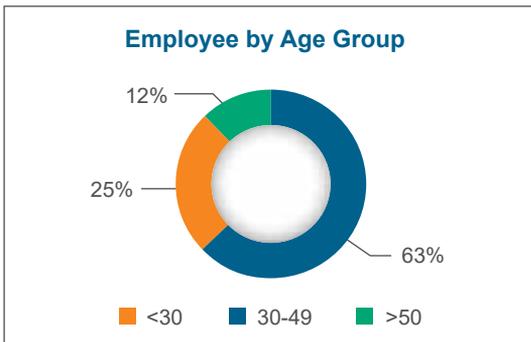
Also, we have adopted a zero-tolerance policy against any form of bribery and corruption. We pledge to conduct all business dealings and relationships with utmost professionalism, fairness and integrity, while rigorously complying with all applicable anti-bribery and corruption laws.

We are pleased to highlight that we have not received any whistleblowing report in FYE 2023. Additionally, no employees had been disciplined or dismissed, nor any public cases been brought against the Group and its employees due to bribery, corruption, fraud or non-compliance to the applicable laws and regulations. Also, there were no significant risks of corruption detected through our operations for FYE 31 December 2023.

DIVERSITY

In HIB Group, we have a diverse workforce coming from various cultural background, ethnicity, age, experience, gender and nationality. We believe that our diverse workforce shall enable us to foster creativity, create synergies and spark innovation.

As at 31 December 2023, we have a total of 413 employees in the Group and our demographics are illustrated as follows: -

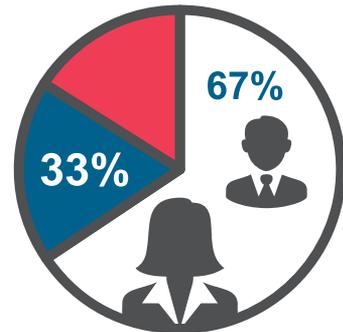


Our commitment goes beyond gender. Our demographics as of December 2023 demonstrate a balance tapestry of ethnic representation, which nearly equal proportions of Malay, Chinese, and Indian employees, and alongside a modest representation from other ethnic backgrounds. Moreover, our age and gender distribution across different company roles underscores our belief in providing equal opportunities for all.

Sustainability Statement

cont'd

Our pledge of diversity extends to gender balance on our Board of Directors, which has achieved a composition of 33% women in FYE 2023, in compliance with the Malaysian Code on Corporate Governance recommendations. The Board consists of Directors from age groups ranging from 40 years old to above 60 years old, bringing a wealth of experience and perspectives. In addition, our Board Charter and Directors' Fit and Proper Policy underpin our corporate governance measures, ensuring we uphold the highest standards of ethical conduct and responsible business practice. In a progressive step towards enhancing our board's diversity, we welcomed an additional female director in March 2024, further solidifying our commitment to fostering an inclusive and representative leadership structure.



We stand firm in our commitment to fairness, dignity, respect, and the principle of non-discrimination in our operations. Aligned with SDG Target 10.3, we have a zero-tolerance policy against any form of discrimination and harassment in our workplace. By providing equal opportunities for all, we aim to cultivate a workforce that is both diverse and inclusive, dynamic and highly motivated. In 2023, there were zero incidences of discrimination recorded in the year under review.

HEALTH AND SAFETY

With SDG 3 and SDG Target 8.8 in mind, and with a commitment to the wellbeing of our employees, occupational safety and health (OSH) remains one of our top priorities. Under the vigilant leadership of our Group Managing Director, the OSH Committee diligently oversees all safety-related matters. The OSH Committee investigates any incidents or accidents that have happened workplace to determine their root cause and proposes timely mitigation action to prevent similar incidents from happening in the future.

In addition, we have in place a Health and Safety Policy as well as a Personal Protective Equipment Policy to guide our employees in safeguarding the safety and health of the employees, customers and the local community. Compliance with these policies is compulsory for all staff members, and any deviations are subject to stringent disciplinary measures.

We maintain first-aid kits across the Group in compliance with the standards and requirements of the Occupational Safety and Health Act and uphold strict monthly maintenance protocols for our office lifts, emphasizing the safety of our personnel.

In addition, we provide safety awareness training to our staff to ensure they are well-informed about safety protocols and procedures. We also sent employee representatives to attend courses for specialised skills and knowledge that were organised by external training providers. We encourage our employees to prevent hazards and response swiftly to any potential dangers that could affect them or their colleagues.

In line with our commitment to promoting safe and healthy working environment, we have implemented regular fogging activities in our factor and warehouse areas to ensure that our premises remain free from pests and insects that could pose a health hazard to our employees.



TARGET 8-8



PROTECT LABOUR RIGHTS AND PROMOTE SAFE WORKING ENVIRONMENTS

Sustainability Statement

cont'd

Meanwhile, the Group has also established an Emergency Response Team (“ERT”) to manage emergencies that arise in the workplace. In FYE 2023, our ERT enhanced their proficiency through specialized training with the Fire and Rescue Department of Malaysia (BOMBA), focusing on emergency responses, fire prevention, and safety measures, including hands-on simulations that reinforced practical rescue and evacuation skills. These simulations, involving employees as mock victims, were instrumental in reinforcing real-life rescue and evacuation techniques.

In 2023, we recorded two (2) injury cases. With a total of 859,040 hours worked, we recorded a Lost-Time Incident Rate (‘LTIR’) of 0.47. Moving forward, we are dedicated to continuous improvement with the goal of achieving a zero-injury workplace for our employees.

| FYE 2023 | |
|--|------|
| Number of work-related fatalities | Nil |
| Lost-time incident rate | 0.47 |
| Number of employees trained on health and safety | 352 |

LABOUR PRACTICES AND STANDARDS

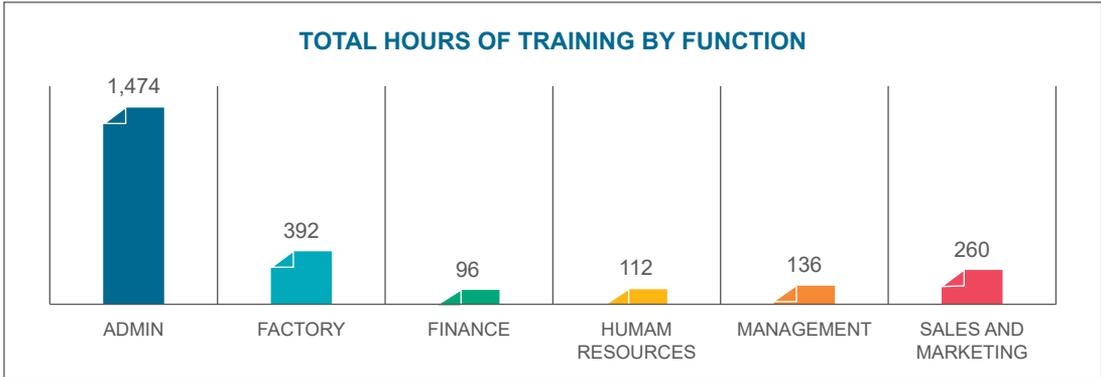
We are dedicated to fostering a workplace environment rooted in fairness and respect. Our labour practices are designed to uphold the dignity of every employee, with zero tolerance for discrimination, harassment, violence, forced labour, or child labour. By providing comprehensive training, we invest in the continuous development of our employees’ skills, and we maintain transparency in our employment practices.

In 2023, we showcased our commitment to our team’s growth by making significant investments in professional development through a total of 2,470 hours in training. This commitment spanned all structural levels, benefiting employees from non-executive roles to management, and encompassed various functional areas such as administration, finance, and sales.

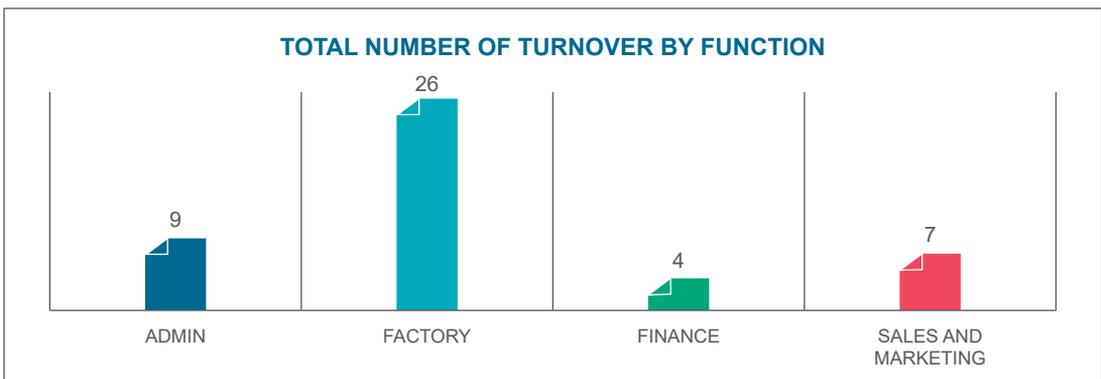
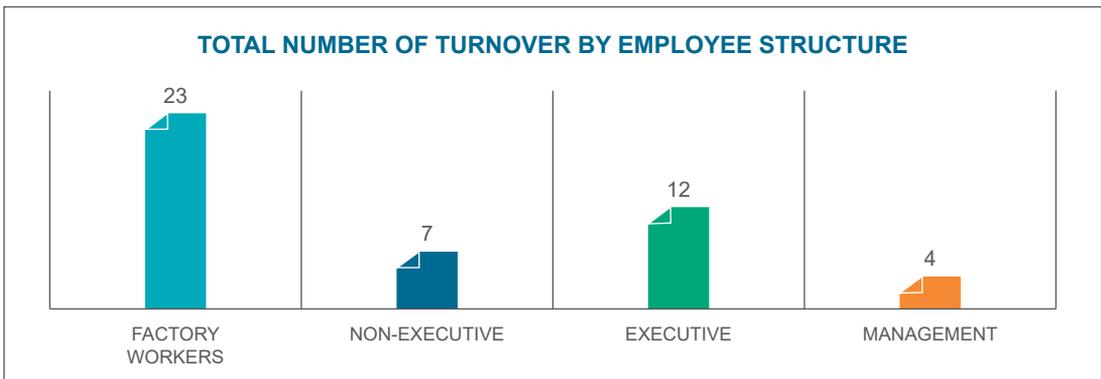


Sustainability Statement

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In 2023, the total number of employee turnovers was only 46 or 11% of our total workforce. This figure represents our ongoing efforts to create a rewarding work environment and the strong alignment between our employees' aspirations and the opportunities provided within our organization. As we advance, we remain steadfast in our commitment to nurturing a supportive workplace and solidifying our standing as a conscientious employer.



Our commitment to ethical employment practices is demonstrated through our workforce composition, which is comprised entirely of permanent staff, with no reliance on contract or part-time workers. This policy underlines our dedication to job security and the long-term welfare of our employees, ensuring a stable and supportive work environment.

Sustainability Statement

cont'd

Employee Welfare, Culture and Development

The Human Resource Department is responsible for managing employee benefits and oversees all matters related to employee relations within the group. Our Employee Handbook serves as the cornerstone, outlining the policies and array of benefits available to our employees. Committed to fostering a sustainable workforce, we prioritise the wellbeing and development of our employees. Accordingly, our benefits package is carefully calibrated to correspond with each employee's job grade and length of service, including:

- Annual leave
- Maternity leave
- Paternity leave
- Prolonged illness leave
- Personal accident insurance policies
- Travelling claims
- Marriage leave
- Compassionate leave
- Medical leave and benefit
- Group medical card policy

In addition, for those employees at the executive level and above, we provide Sponsorship for Professional Memberships to encourage our employees to improve their professional skills and knowledge. Employees who are members of accredited professional bodies or associations related to the Group's business nature may request reimbursement for their annual membership fee, subject to approval by the Management.

A motivated working environment shall create positive working culture and enhance employees' efficiency. Our Group upholds values such as integrity, loyalty, hard work, teamwork, passion, experience and ingenuity, which are all deeply ingrained in our daily operations. Additionally, motivational quotes are displayed in our office areas, serving as inspiration for our employees to stay driven and achieve their Key Performance Indicators.

Employee Training and Development

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 newly onboarded employees, our Human Resources (HR) Department facilitates orientation programs, ensuring a smooth transition into our group's culture and operations. For existing employees, we offer both external and internal on-job training opportunities. External training programs, recommended by the respective Head of Department considering the needs of various employees and their job scopes, are key to our strategy. The external training programs attended by our employees for the FYE 2023 are as follows:

| Training Programme Attended | Date |
|--|------------|
| Effective Communication Skills | March 2023 |
| Project Planning, Scheduling & Control using MS Project | March 2023 |
| Hazard and Risk Management in Construction Industry | March 2023 |
| Internal Combustion Engine (ICE) | March 2023 |
| Introduction to KPI's for Performance Management | April 2023 |
| Occupational Safety & Health Management for Contractors | April 2023 |
| Performance Evaluation/ Appraisal | April 2023 |
| Elevating Workforce Engagement | April 2023 |
| Managing Performance for Result | May 2023 |
| Company Secretaries Training Programme Essential 1.0 | May 2023 |
| Succession Planning – Framework & Practical Implementation | June 2023 |
| Performance Evaluation/ Appraisal | July 2023 |

Sustainability Statement

cont'd

| Training Programme Attended | Date |
|---|----------------|
| Effective Communication Skills | July 2023 |
| Mastering The Art And Science of Problem Solving and Decision Making | August 2023 |
| Evaluating Business Performance Using The Balanced Scorecard | August 2023 |
| Elevating Workforce Engagement | August 2023 |
| Drilling Course | September 2023 |
| Understanding CHRA Implementation at Workplace | October 2023 |
| Occupational Safety and Health Coordinator (Osh-C) Trained Person Programme | October 2023 |
| Evaluating Business Performance Using The Balanced Scorecard | October 2023 |
| HID Fargo Card Printer Training | November 2023 |
| Best Practices For Managing Staff Reorganisation | December 2023 |
| OSHA Legislation on Safety & Health Committee Training | December 2023 |
| RCOC Drone Training | December 2023 |

We recognise that strong employees' bonding is critical to support each other in the workplace. During FYE 2023, we have engaged our employees in the following events and activities in order to establish a favourable and harmonious working environment: -

Empowering Leadership Transformation

Our team recently engaged in a dynamic leadership training program at Premiere Hotel, Klang, sparking a new wave of communication prowess and collaborative spirit. This two-day event was not just about learning—it was about transforming how we connect and lead within our organisation. With workshops that honed both personal and collective skills, we are now better equipped to navigate the path toward sustainability and success with renewed vigour. Watch this space—the best is yet to come!



Connecting Talents with Opportunities

In September 2023, Hextar Group participated in the Malaysia Career & Training Fair (MCTF) at the Mid Valley Exhibition Centre, showcasing our commitment to talent development and growth. Here, we took significant strides in connecting with job seekers, demonstrating the wealth of career paths available within our dynamic sectors, including technology, engineering, and safety management. Our team's presence emphasized our dedication to creating a dynamic work environment and fostering professional growth. As we move forward, we remain focused on welcoming new talents who will contribute to our collective strength and success.

Sustainability Statement

cont'd



Hextar's Mental Health Awareness Day

Partnering with Tongle Space, Hextar Group proudly hosted Mental Health Awareness Day at our Kota Bayuemas HQ, underscoring our commitment to our employees' well-being. On 13 June 2023, the event attracted a robust participation of Hextarians, engaging in activities from mindfulness sessions to stress-busting games and informative talks. Each participant left with a Self-Care Kit, a token of our investment in their mental health and our ongoing mission to nurture a supportive workplace.

Summer of Love – Our Groovy Celebration of Success

HIB's annual dinner embraced the 'Summer of Love' theme, held at KSL Esplanade Hotel, Klang, was a night of retro flair and heartfelt celebrations. Our team turned heads in their flower-inspired ensembles, symbolizing growth and unity as we gathered to celebrate the milestones achieved throughout the year. It was a night where musical talents shone and team spirit soared, capturing the essence of our collective journey and the dedication that propels us forward. The evening was not only a celebration of the past year's triumphs, including the success of MoneyX, but also an appreciation of our dedicated employees, whose spirit ensures we continues to thrive. Together, we stepped into a future as bright as the night was groovy.



Durian Boat is Back

It was a day of 'durian runtuh' at Hextar, where our annual celebration transformed the office into a tropical paradise. Our annual Durian Day was a delicious hit, featuring 350 kg of creamy Musang King durians fresh from Raub. The event was sweetened further with a selection of tropical fruits like rambutans, jackfruits, and coconuts, making for a truly refreshing and joyous occasion. Our annual event is a testament to Hextar's spirit of togetherness, wrapped in the rich aroma of durian—truly a day where every Hextarian felt like royalty.

Fun Day at Superpark

Hextar's team day out at SuperPark, Avenue K Shopping Mall was a blast! In this vibrant indoor park, over 20 activities brought the team together for some healthy competition. The event was more than just fun and games, it was about teamwork and collaboration. It was a day filled with unforgettable moments and a sense of shared achievement, highlighting the unique bonds that develop when Hextarians come together to face challenges head-on.



Sustainability Statement

cont'd

Empowering Agriculture Technology

In a pivotal three-day event at Setia City Convention Centre, Shah Alam, Hextar took centre stage at the Agri Malaysia Exhibition, showcasing our various innovations in the fertilizers and agrochemical sector. Agri Malaysia brings together a diverse array of technological displays, experts and industry professionals in the field of agriculture from both local and international sources. With over 450 exhibitors and an attendance of over 10,000 people, it serves as a crucial platform for industry leaders and stakeholders to explore the latest innovation, encouraging the exchange of knowledge and collaboration. This key event, celebrated for its global standards and recognized by MATRADE, solidifies its importance as a cornerstone of agricultural development.



We Love Klang Run

Hexarians rallied with passion for their heritage at the “We Love Klang Run,” hosted by the Klang Chinese Chamber of Commerce & Industry at Stadium Sultan Suleiman, Klang. Hextar, stepping beyond the role of a sponsor, was at the forefront with more than 100 of its Hexarians participating. The event attracted in total over 10,000 runners of all ages, with some participating in the 3km fun run and a competitive run of 9 km. This event served as a call to action for Hexarians and the larger community to engage in more such activities, fostering a culture of wellness and unity within the vibrant tapestry of Klang.

Hextar Triumphs at Dato’ Ong Soon Ho Futsal Tournament

The excitement was palpable at the Dato’ Ong Soon Ho Futsal Tournament, where the Hextar teams shone brightly. Two squads from Hextar, joined forces with 25 other teams in a thrilling showdown of futsal prowess. Hextar’s teams outplayed the competition, with Team B taking home the championship and Team A securing a respectable third place. Beyond the goals and cheers, this tournament was a beacon of unity and cross-cultural camaraderie, embodying the ethos “Friendship comes first, Competition second”. It was a celebration of sportsmanship, where the community came together, rooted in goodwill and the love of the game.



Sustainability Statement

cont'd

DATA PRIVACY AND SECURITY

In today's digital era, the safeguarding of personal data stands at the forefront of our priorities. Our unwavering dedication to the online safety and privacy of our stakeholders is a pillar of our operations, ensuring robust protection against cyber threats and unauthorized access for our consumers' and employees' personal information.

To strengthen our data privacy and security protocols, we have implemented Windows security on all corporate PCs, establishing a strong line of defence. Our IT team proactively updates our firewalls to counteract the evolving landscape of security threats, ensuring that our cybersecurity measures are always at the cutting edge.

In our commitment to vigilance, we actively monitor for any unusual activities. Should any be detected, we swiftly send out reminder emails to all employees, alerting them to the potential threat. This quick response is part of our overarching strategy to bolster digital security and prevent phishing or other cyber threats.

We proudly maintain the highest standards of data privacy and security. In 2023, we recorded no complaints of privacy breaches or data loss, reflecting our steadfast commitment to safeguarding our stakeholders' information. Looking ahead, we are determined to preserve this exemplary record and adapt continuously to the ever-changing digital landscape.

| Key Performance Indicator | Number of incidents in 2023 |
|--|-----------------------------|
| Cybersecurity breaches | Nil |
| Incidents of substantiated complaints concerning breaches of privacy and losses of personal data | Nil |

STATEMENT OF ASSURANCE

Assurance undertaken

In strengthening the credibility of the Sustainability Statement, this Sustainability Statement has been subjected to a review by the internal auditors, Baker Tilly Monteiro Heng Governance Sdn Bhd, appointed by the Company and has been approved by the company's Audit Committee.

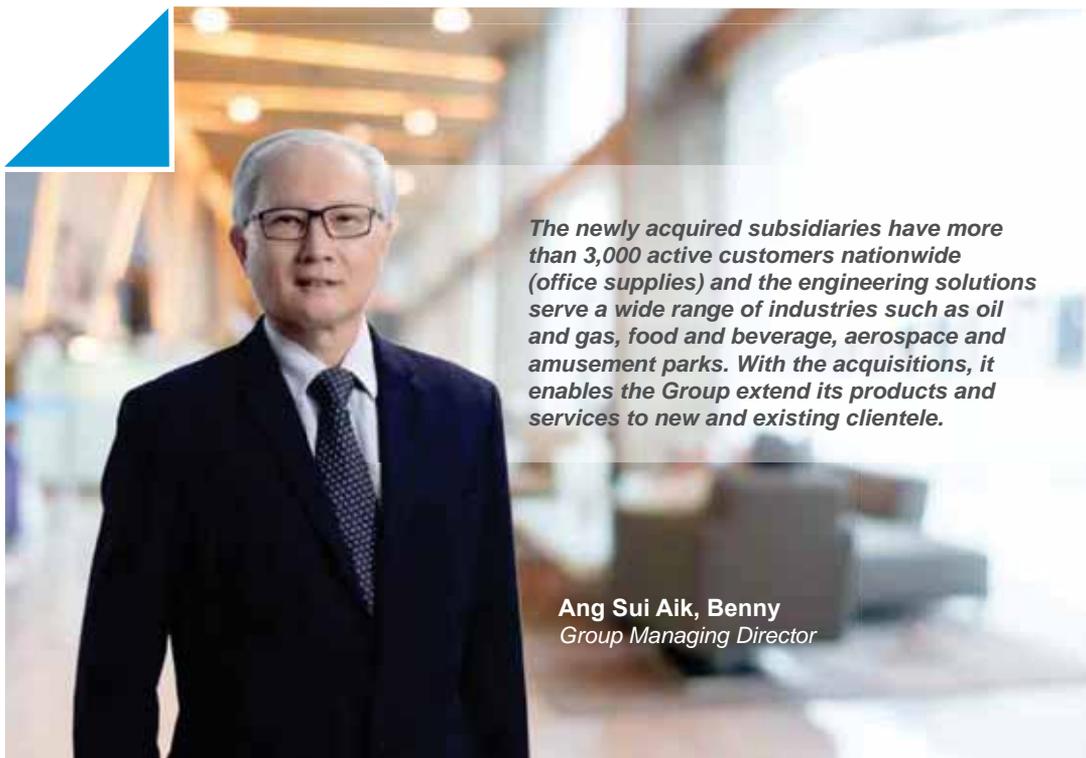
Subject matter

Contents of this Sustainability Statement, including all indicators.

Scope

The boundary of the internal review includes all the operations within the control of Hextar Industries Berhad.

Management Discussion and Analysis



The newly acquired subsidiaries have more than 3,000 active customers nationwide (office supplies) and the engineering solutions serve a wide range of industries such as oil and gas, food and beverage, aerospace and amusement parks. With the acquisitions, it enables the Group extend its products and services to new and existing clientele.

Ang Sui Aik, Benny
Group Managing Director

BUSINESS OVERVIEW

Hextar Industries Berhad (“HIB” or “the Company”) was listed on ACE Market of Bursa Securities on 13 February 2014. HIB is primarily an investment holding company and through its subsidiaries (“HIB Group” or “the Group”), began its involvement in quarry business as a distributor and supplier of general industrial products. In 2018, the Group diversified its business into Fertilisers and Equipment Rental. Subsequently in 2022, HIB had further acquired a group of subsidiaries of Hextar Fertilizers Group Sdn. Bhd (“HFG”), for further expansion of the fertiliser business. This allows the Group to have immediate access to its distribution networks and manufacturing facilities in Peninsular Malaysia (Port Klang and Pasir Gudang), Sabah (Lahad Datu) and deeper into Sarawak (Bintulu). Further, the acquisition of HFG provides the Group to gain entry to export markets and increase the Group’s global presence in Indonesia, Taiwan, Thailand, Myanmar, Vietnam, Cambodia, Australia, Fiji, Papua New Guinea, Mauritius and Africa.

During the year, HIB has completed its acquisition of two (2) additional subsidiaries, namely Pacific Office (M) Sdn. Bhd. (“POM”) and Hextar Mitai Sdn. Bhd. (“HMSB”). The acquisition of 100% equity interest of POM was completed on 24 October 2023, with a total purchase consideration of RM16.5 million. Whereas the acquisition of 70% equity interest of HMSB was completed on 15 December 2023, for a total purchase consideration of approximately RM4.6 million.

Management Discussion and Analysis

cont'd

The Group focus on two (2) key business segments as follows:

| Division | Principal activities |
|--|--|
| Fertilisers | <ul style="list-style-type: none"> - Manufacturing and formulating, compound fertilisers, distributing and trading various fertilisers, as well as providing crop management solutions and services, professional agronomic advisory and consultation services, in-house product development and bulk blending and mixing of various formulations; - Trading of wide range of straight fertilisers and offer customisation of fertiliser formulations based on customers' agriculture requirements. |
| Industrial and Consumer ⁽¹⁾ | <ul style="list-style-type: none"> - Supplying and distributing machinery, spare parts, conveyor belts and industrial products to quarry industry; - Manufacturing, distributing and supplying quarry crusher screens; - Provision of temporary temperature control, power, structure solutions; - Trading of industrial products includes forklifts, lighting fixture and/or its accessories/parts. - Trading of stationery and office supplies; and - Provides engineering design customisation, fabrication and project management. |

Note: (1) Includes Heavy Equipment, Equipment Rental, Engineering Solutions and Office Supplies.

HIB will continue to ensure better value creation for our stakeholders by remain competitive in its business as well as continue to generate profitability.

Fertiliser Division

Our Group supplies an extensive range of fertilisers which can be categorise into the types of the following:-

STRAIGHT FERTILISERS

A raw fertiliser material that may contain only one primary or one secondary plant nutrient, namely nitrogen, phosphorus, potassium, magnesium, sulphur and micronutrients, such as boron, copper, zinc, etc.

BULK BLEND AND MIXTURES FERTILISERS

Granular blend form or powder mix of fertilisers which contain two or more nutrients, which is produced through the process of physical mix of various type of straight fertilisers. Various formulations can be tailor-made on special request.

COMPOUND FERTILISERS

Contains two or more nutrients. NPK compound fertilisers are three-component nutrients providing nitrogen, phosphorus, and potassium. Compound fertiliser is produced through a process of granulation/compaction of a mixture of various types of straight fertilisers to achieve a desired nutrient composition.

Management Discussion and Analysis

cont'd

Industrial and Consumer Division

Our Industrial and Consumer Division covers a wide range of products and services due to minimum revenue contribution to the Group. The range of products and services are further expanded under this Division through the acquisition of two (2) additional subsidiaries that involved in provision of engineering solutions and office supplies.

Below are the summary of the range of products and services offered:-

HEAVY EQUIPMENT

Supplies of tools and parts for the quarry industry such as vertical-shaft impact crushers, mobile crushers, crawler drills, breakers, rippers and others.

EQUIPMENT RENTAL

Provides air conditioning and cooling systems, power generating equipment and tent for events; supplies of forklifts, lighting fixture and accessories.

ENGINEERING SOLUTIONS

Offers one-stop project management by providing design customisation, fabrication, engineering, procurement, construction and commission.

OFFICE SUPPLIES

Provides wide ranges of office supplies such as stationery, paper, printer, shredder, chart boards, office chairs, tables, cabinets and many more.

FINANCIAL PERFORMANCE REVIEW

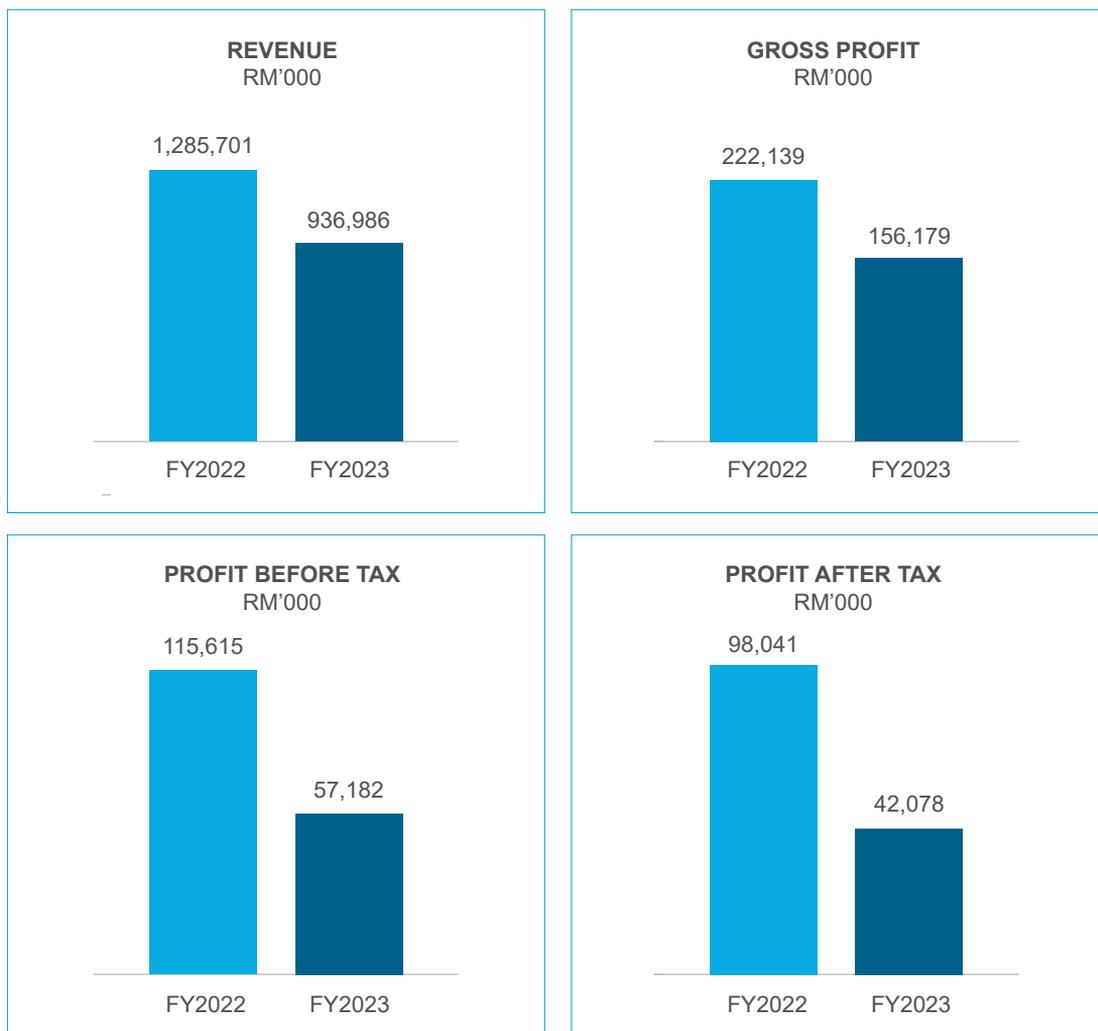
The Group recorded the revenue of RM937.0 million for the 12 months performance for the financial year ended 31 December 2023 ("FYE2023"), whereas the revenue of the Group recorded RM1,285.7 million for the financial period ended 31 December 2022 ("FPE2022") with the 16 months performance. As a result of change in the Group's financial year end from 31 August to 31 December, there was no comparative financial information available.

| | FY2023 (12 months) RM'000 | FPE2022 (16 months) RM'000 |
|---------------------------|---------------------------------|----------------------------------|
| Revenue | 936,986 | 1,285,701 |
| Gross Profit ("GP") | 156,179 | 221,139 |
| Profit before tax ("PBT") | 57,182 | 115,615 |
| Profit after tax ("PAT") | 42,078 | 98,041 |
| Gross profit margin (%) | 16.7% | 17.2% |
| PBT Margin (%) | 6.1% | 9.0% |
| PAT Margin (%) | 4.5% | 7.6% |

Management Discussion and Analysis

cont'd

FINANCIAL PERFORMANCE REVIEW (cont'd)



Revenue

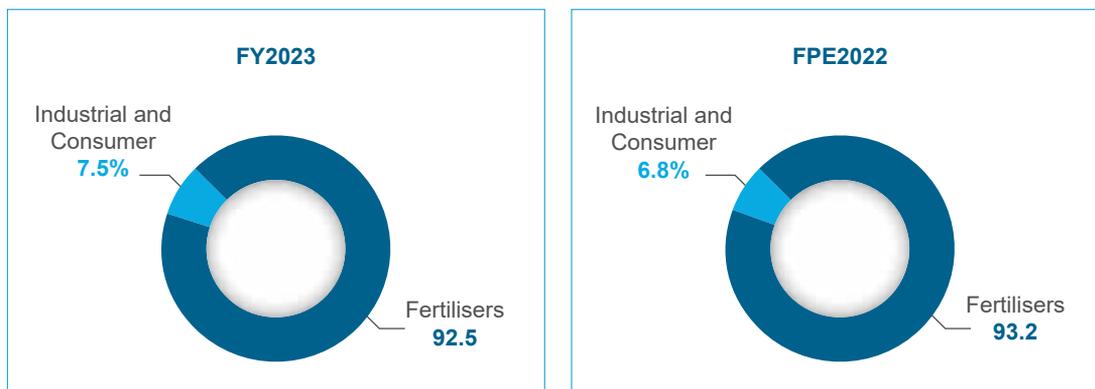
| | FY2023 (12 months) RM'000 | FPE2022 (16 months) RM'000 |
|-------------------------|---------------------------------|----------------------------------|
| Fertilisers | 866,266 | 1,197,744 |
| Industrial and Consumer | 70,720 | 87,957 |
| Total | 936,986 | 1,285,701 |

Management Discussion and Analysis

cont'd

FINANCIAL PERFORMANCE REVIEW (cont'd)

Revenue (cont'd)



Fertiliser Division

The Fertiliser Division remained as the main contributor to the Group's revenue of 92.5% (equivalent to RM866.3 million) in FYE2023. However, the revenue of Fertiliser Division in FYE2023 was slightly affected mainly due to lower average selling price of the fertilisers. Nevertheless, the Group is remained positive with the future growth of the Division with the recovery of the industry as well as continuous interest from Government in development of plantation crops.

Industrial and Consumer

The Industrial and Consumer Division has increased its contribution as a percentage of the Group's revenue from 6.8% in FPE2022 to 7.5% in FYE2023. The improvement of the division performance was mainly due to the by expansion of products and services offered from the two (2) newly acquired subsidiaries, on the provision of engineering solutions and office supplies.

Gross Profit and Gross Profit margin

| | Gross Profit | | Gross Profit Margin | |
|-------------------------|---------------------------------|----------------------------------|---------------------------------|----------------------------------|
| | FY2023 (12 months) RM'000 | FPE2022 (16 months) RM'000 | FY2023 (12 months) RM'000 | FPE2022 (16 months) RM'000 |
| Fertilisers | 136,272 | 197,241 | 15.7% | 16.5% |
| Industrial and Consumer | 19,907 | 23,898 | 28.1% | 27.2% |
| Total | 156,179 | 221,139 | 16.7% | 17.2% |

The Group recorded a lower gross profit of RM156.2 million in FYE2023. The Group's gross profit margin was relatively consistent at 16.7% for FYE2023 as compared to 17.2% for FPE2022.

The lower gross profit in FYE2023 was mainly due to lower contributions from Fertiliser Division. Accordingly, the gross profit margin of the Fertiliser Division decreased from 16.5% in FPE2022 to 15.7% in FYE2023, which mainly due to decrease in average selling price, coupled with high raw materials costs which was impacted by the weakening of Ringgit Malaysia.

Management Discussion and Analysis

cont'd

FINANCIAL PERFORMANCE REVIEW (cont'd)

Gross Profit and Gross Profit margin (cont'd)

In FYE2023, the gross profit for Industrial and Consumer Division are consistent, but marginally increased from 27.2% in FPE2022 to 28.1% in FYE2023, which mainly due different product sales mix for Heavy Equipment resulted to better gross profit margin.

Profit Before Tax (“PBT”) and Profit After Tax (“PAT”)

The Group reported a lower PBT of RM57.2 million in FYE2023 as compared to RM115.6 million in FPE2022. This was mainly due to one-off impairment loss of goodwill (RM14.4 million) and higher selling and distribution expenses mainly for transportation costs and sales commissions in FYE2023, as well as lower in gross profit. Accordingly, the Group has recorded a lower PAT from RM98.0 million in FPE2022 to RM42.1 million in FYE2023.

FINANCIAL POSITION REVIEW

| | 31 December 2023 RM'000 | 31 December 2022 RM'000 | Variance | |
|---------------------------------------|-------------------------------|-------------------------------|------------------|---------------|
| | | | RM'000 | % |
| Assets | | | | |
| Non-current assets | 215,156 | 247,211 | (32,055) | (13.0) |
| Current assets | 534,648 | 633,457 | (98,696) | (15.6) |
| Total assets | 749,804 | 880,668 | (130,751) | (14.8) |
| Liabilities | | | | |
| Non-current liabilities | (114,803) | (141,711) | 26,908 | 19.0 |
| Current liabilities | (295,360) | (388,190) | 92,830 | 23.9 |
| Total liabilities | (410,163) | (529,901) | 119,738 | 22.6 |
| Net Assets (“NA”)/Total Equity | 339,641 | 350,654 | (11,013) | (3.1) |
| Current ratio (times) | 1.8 | 1.6 | | |
| Gearing ratio (times) | 0.7 | 0.8 | | |

The Group's total assets decreased by RM130.8 million or 14.8% from RM880.6 million as at 31 December 2022 to RM749.8 million as at 31 December 2023. The decrease was mainly due decrease in inventories of RM93.6 million as a result of inventory level reduced in fertiliser and decrease in trade receivables of RM54.8 million due lower revenue as well as better collections.

The Group's total liabilities decreased by RM119.7 million or 22.6% from RM529.9 million as at 31 December 2022 to RM410.2 million as at 31 December 2023. The decrease was mainly due decrease in trade payables of RM40.2 million as a result of repayments made to suppliers and decrease in bank borrowings of RM54.8 million resulted from repayments of borrowings.

Overall, the Group closed the financial year with a healthy financial position, recording a higher cash and cash equivalents of RM106.3 million as compared to 31 December 2022 of RM72.5 million, with the net assets of RM339.6 million, a current ratio of 1.8 times and gearing ratio of 0.7 times.

Management Discussion and Analysis

cont'd

STATEMENT OF CASH FLOWS

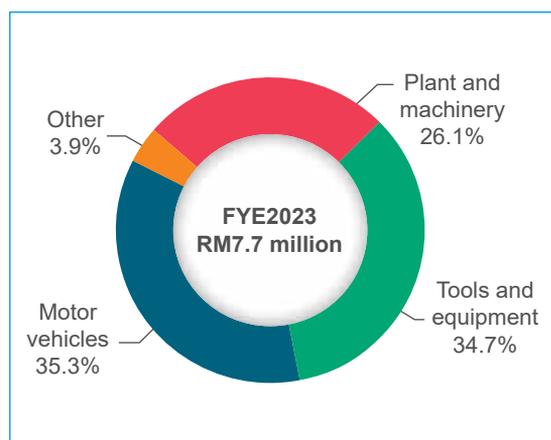
| | 31 December 2023 RM'000 | 31 December 2022 RM'000 |
|---|-------------------------------|-------------------------------|
| Net cash from operating activities | 186,300 | 29,160 |
| Net cash used in investing activities | (31,492) | (584) |
| Net cash from/ (used in) financing activities | (120,934) | 27,594 |
| Net increase in cash and cash equivalents | 33,874 | 56,170 |
| Cash and cash equivalents at the beginning of the financial period/year | 72,456 | 16,286 |
| Cash and cash equivalents at the end of the financial/year | 106,330 | 72,456 |

Overall, the net increase in cash and cash equivalents of RM33.9 million as at 31 December 2023 was mainly attributed by:-

- i) Net cash inflow from operating activities amounted to RM186.3 million mainly due to better collections from our customers;
- ii) Net cash used in investing activities amounted to RM31.5 million due to net cash and cash equivalent from the acquisition of a subsidiary of RM13.2 million and purchase of property, plant and equipment of RM7.1 million. This was partially offset by proceeds from disposal of assets of RM1.3 million.
- iii) Net cash used in financing activities amounted to RM120.9 million mainly due to settlements for bills payables of RM62.8 million, dividend paid of RM54.9 million, and repayments of term loans of RM7.3 million.

As at 31 December 2023, the cash and cash equivalents of the Group amounted to RM106.3 million.

CAPITAL EXPENDITURE (“CAPEX”)



In FYE2023, the Group incurred CAPEX of RM7.7 million (excluding Right-of-Use Assets), of which RM2.7 million or 34.7% were for tools and equipment, and RM2.0 million or 26.1% were for plant and machinery, that mainly for production use.

The Group also allocated RM2.7 million or 35.3% of the CAPEX on purchase of motor vehicles.

The remaining RM0.3 million or 3.9% was mainly incurred for office equipment, furniture and fittings, and renovation.

Management Discussion and Analysis

cont'd

REVIEW OF OPERATING ACTIVITIES

Fertiliser

The Group's fertiliser division remain as the main business segment, where the total revenue contribution amounted to RM866.3 million or 92.5% of the Group's total revenue in FYE2023, as compared to FPE2022, the total revenue contribution amounted to RM1,197.7 million or 93.2% of the Group's total revenue.

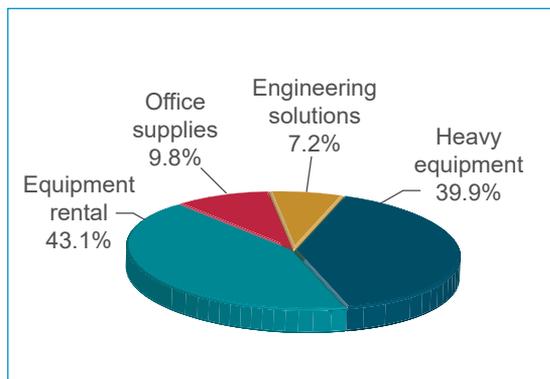
The Group has core competencies in the fertiliser industry supported by its strength of offering a diverse range of fertilisers and customisation capabilities to cater to different customer needs. With the acquisition of HFL in 2022, the Group had growth significantly in its annual capacity as well as expanded its market presence in several strategic locations including Peninsular Malaysia (i.e. Port Klang and Pasir Gudang), Sabah (Lahad Datu) and Sarawak (Bintulu). Currently, the Group has an annual product capacity of approximately 800,000 metric tonne, which allows the Group to supply to bigger market.

During the financial year, the average selling prices of fertilisers was lower, after it reached a peak in 2022. Nevertheless, the demand for fertiliser is expected to be supported by food security issues, coupled with the continuous interest from the Government in developing plantation crops to attain self-sufficiency in some major commodities.

Furthermore, the demand of fertiliser will also be supported by the export market, with the Group's effort of establishing partnership with local distributors in neighbouring countries (such as Indonesia, Thailand, Vietnam and Myanmar), as those countries have a strong agricultural sector.

With that, the Group is confident that HIB will be able to continue to be a market leader in the fertiliser industry.

Industrial and Consumer



The Industrial and Consumer comprised Heavy Equipment, Equipment Rental, Engineering Solutions and Office Supplies, which accounted for RM70.7 million or 7.5% of the Group's total revenue. Heavy Equipment and Equipment Rental, currently is the main contributors to the Industrial and Consumer Division, amounted to RM58.7 million or 83.0% of the Division's revenue. However, the acquisition of the two (2) newly acquired subsidiaries (POM and HMSB) was only completed in Quarter 4 of the financial year. Hence, the Group is looking forward to consolidate the full year results of the two (2) subsidiaries in the upcoming financial year.

The Group's Heavy Equipment and Equipment Rental remains positive due to improvement from the economy with a better outlook of domestic construction and event industry.

Management Discussion and Analysis

cont'd

ANTICIPATED OR KNOWN RISK

We wish to highlight the following key anticipated or known risks that the Group is exposed to that may have material impact on our operations and financial performance. Our plans and strategies to prevent or mitigate the risks are disclosed as follows:-

Dependency on the agriculture industry

The major portion of the Group's revenue was contributed by our manufacturing and distribution of fertilisers, hence, the Group is heavily dependent on the agriculture industry. Our customers are mainly from oil palm industry. The Group's fertiliser business may be affected if there is a dropped in the demand of palm oil, lower crude palm oil prices, higher tax rate improved and adverse weather conditions. The Group may also face higher raw materials costs due to geopolitical disturbances that causes supply chain disruptions and export restrictions.

Exposure to credit risk

The Group's financial performance and position are dependent, to a certain extent on the creditworthiness of our customers. The Group's exposure to credit risk is primarily through trade and other receivables and financial guarantees given to financial institutions. Prior to granting the credit terms, the Group will assess the customer's repayment capabilities as a measure to mitigate this risk.

Foreign currency exchange fluctuation

Foreign currencies such as United States Dollar ("USD"), Singapore Dollar ("SGD"), Japanese Yen ("JPY") and Euro Dollar ("EUR"), account for a significant portion of the Group's purchases. The Group's revenue generated from overseas are also denominated in USD. As a result, any fluctuation exchange rate of Ringgit Malaysia ("RM") against these currencies may affect the revenue and cost of raw materials purchased. In order to minimise the exposure of foreign currency fluctuations, the Group monitors the foreign currency movement on daily basis.

DIVIDEND POLICY

The Group does not have any explicit dividend policy as the factors such as cash flow position, capital expenditure requirements, financial performance and financial condition will be taken into consideration by the Board when determining dividend payouts. Having said that, the Group had declared and paid out total dividend of 2 sens, amounting to approximately RM55 million for the FYE2023.

The first interim single tier dividend of 1 sen per ordinary share amounting to approximately RM27.5 million for FYE2023 was declared on 24 August 2023 and had paid out on 20 September 2023.

On 22 February 2024, HIB had declared a second interim single tier dividend of 1 sen per ordinary share amounting to approximately RM27.5 million in respect of FYE2023 and had paid out on 15 March 2024.

FORWARD-LOOKING STATEMENT

Moving forward, HIB remains cautiously optimistic on the outlook for FYE2024. Furthermore, the Group strive to improve production efficiencies, manage its overheads and production costs effectively, while also expanding its range of products and services to achieve higher sales and profitability.

The Group has on 29 November 2023 submitted its application to seek transfer listing and quotation of its entire issued share capital from the ACE Market to Main Market of Bursa Malaysia Securities Berhad. The proposed transfer will improve the Group's status as well as provides the Group with greater recognition and acceptance amongst investors. On top of that, it will help to promote the Group's corporate image and resulted to greater recognition and confidence to clients, contractors, business partners, employees, bankers and shareholders.

Management Discussion and Analysis

cont'd

FORWARD-LOOKING STATEMENT (cont'd)

Fertiliser

The Group is confident the demand for fertiliser will remain strong especially from planters who had applied less in prior year due to higher fertiliser prices. On top of that, the Group plans to secure more market share in fertiliser segments from our neighbouring countries, as the Group continues to source for potential partnerships with the local distributors of fertiliser in other countries. This gives the Group a greater opportunity to grow internationally.

The Group will also continue to increase awareness of its products via marketing initiatives as well as establish good relationship with customers. This includes participation in international agricultural exhibitions to improve its reputation within the global agriculture industry. Further, the Group will organise periodic gathering for planters and provides agriculture advisory services (i.e., manuring and fertilisers application). The Group aim to understand the needs and challenges of the planters and offers them effective solutions via active communication.

Industrial and Consumer

The Group expecting better growth from the Industrial and Consumer.

The Group's Heavy Equipment, with the growth of the quarrying activities driven by the construction projects that is anticipated to gain momentum (such as LRT3, Mass Rapid Transit Line 3, Pan Borneo Highway, East Coast Highway, Bayan Lepas Light Rail Transit and on-going flood mitigation initiatives). This may provide higher demand in our heavy equipment, tools, parts and other related products.

As for the Group's Equipment Rental is likely to see a positive recovery, as there are more events organised. Further, with the newly acquired subsidiaries (POM and HMSB), it enables the Group to extend its product and services to new and existing clientele, as POM has more than 3,000 active customers nationwide and HMSB serves a wide range of industries such as oil and gas, food and beverage, aerospace and amusement parks.

Acknowledgement

On behalf of the Board of HIB, I would like to express my sincere appreciation and offer my gratitude to all our stakeholders, shareholders, customers, suppliers, business partners, financiers, regulatory authorities and every else for all the supports and trust in the Group. I am also proud and would like to thank to the management team and each employee in the Group for their endless efforts and contributions to make HIB a high performing organisation. Hence, I am confident that the Group will continue to strive for better results and achieve more successful milestones.

ANG SUI AIK, BENNY

Group Managing Director

Corporate Governance Overview Statement

The Board of Directors (“Board”) of Hextar Industries Berhad (“the Company” or “Hextar”) 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 2021 (“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 December 2023 and up to the date of this overview statement. This overview statement is made pursuant to Rule 15.25 of the 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 Board and Board Committees

The Board of Directors’ (“Board”) main roles are to govern, set the strategic directions and exercising oversight function on the Management. The Board is primarily responsible for the Group’s overall strategic plans and directions to ensure continued sustainability and long-term success of the Group’s businesses, overseeing the conduct of the businesses, effective and adequate risk management and internal controls, succession planning, effective shareholders’ communications and ultimately creating shareholders’ value. In discharging its fiduciary duties, stewardship and leadership functions, the Board is guided by the Board Charter which outlines the duties and responsibilities of the Board. The Board has delegates certain responsibilities to the following Board Committees to assist in the execution of its duties and responsibilities within their respective Terms of Reference:

- (i) Audit Committee (“AC”);
- (ii) Nomination and Remuneration Committee (“NRC”); and
- (iii) Risk Management Committee (“RMC”).

Each Board Committee operates in accordance with its respective Terms of Reference as approved by the Board. These Board Committees are authorised by the Board to deal with and to deliberate on matters delegated to them within their respective Terms of Reference and report to the Board on their proceedings and deliberations together with their recommendations to the Board for approval. The Board Committees’ Terms of Reference can be accessed via the Company’s website at www.hextarindustries.com. Apart from the responsibilities of the Board Committees, the Group Managing Director (“MD”) and other Management members are also delegated certain authorities to enable them to effectively discharge their responsibilities on the day-to-day operations of the Group.

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 Chairman of the Board, Dato' Chan Choun Sien leads the Board with a keen focus on governance and compliance and acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates discussion.

Together with the other Non-Executive and Independent Directors, he leads the discussion on the strategies and policies recommended by the Management. He chairs the meetings of the Board and the shareholders.

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

The Board is supported by three (3) qualified and competent Company Secretaries, who are qualified to act as Company Secretaries under Section 235(2) of the Act and are also registered holders of the Practising Certificate issued by the Companies Commission of Malaysia.

The Company Secretaries provide advisory services, particularly on applicable governance best practices, corporate administration and Board practices and processes to facilitate overall compliance with the Listing Requirements, MCCG, the Act and other applicable laws and regulations.

The Company Secretaries assist the Board and Board Committees in fulfilling their duties effectively while adhering to established Board policies and procedures and best practices.

To discharge their roles, the Company Secretaries regularly attend relevant training programmes, conferences, seminars and forums to stay current with the latest developments in corporate governance and regulatory requirements relevant to their profession. This ongoing education enables the Company Secretaries to provide the necessary advice to the Board and ensure that the Company remains compliant.

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)*

1.4 Qualified and Competent Company Secretaries *(cont'd)*

The Board and each Director has direct access to the professional advice and services of the Company Secretaries to assist them in performing their duties and discharging their responsibilities effectively. The Company Secretaries' role in facilitating compliance and ensuring the smooth functioning of the Board is critical to the Company's success.

Overall, the Board is satisfied with the service and support rendered by the Company Secretaries and their team to the Board in the discharge of their duties and functions

1.5 Meeting of Board and Board Committees

Agendas and discussion papers are circulated at least five (5) 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 Requirements 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 Company has formalised and adopted the Board Charter which sets out the functions, authority, roles and responsibilities of the Board as well as the various internal processes and principles governing the Board. The Board Charter also serves as a source of reference and primary induction literature, providing insights to new Board members.

The Board Charter provides a clear outline of relevant matters and applicable limits, including those reserved for the Board's approval and those which the Board may delegate to the Board Committees, the MD, and the Management. This is to ensure that all parties involved understand their respective roles and responsibilities, thus promoting effective decision-making, risk management, and compliance.

Corporate Governance Overview Statement

cont'd

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

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

2. Demarcation of Responsibilities *(cont'd)*

2.1 Board Charter *(cont'd)*

The Board Charter would be reviewed as and when necessary to ensure that it remains aligned with the Board's objectives and responsibilities, as well as the latest compliance requirements resulting from changes in the Listing Requirements, MCGG and other regulatory framework which will ensure that the Board Charter remains relevant and up-to-date.

The Board Charter is available at the Company's website at www.hextarindustries.com.

3. Good Business Conduct and Corporate Culture

3.1 Code of Conduct and Ethics

The Company has adopted the Code of Conduct and Ethics, which is applicable to all officers and employees of the Group to observe high standards of business and personal ethics in carrying out their duties and responsibilities. As employers and representatives of Hextar, or any of its subsidiaries, they must practice honesty and integrity in fulfilling their duties and responsibilities and comply with all applicable laws and regulations. It is thus the responsibility of all officers and employees to comply with the Code of Conduct and Ethics and to report violations or suspected violations thereto.

The Board will review the Code of Conduct and Ethics when necessary to ensure it remains relevant and appropriate. The Code of Conduct and Ethics are accessible by the public through the Company's corporate website at www.hextarindustries.com.

3.2 Whistle-blowing Policy and Procedures

The Board has adopted a Whistle-blowing Policy and Procedures, with the aim to provide an avenue for raising concerns related to a possible breach of business conduct, non-compliance with laws and regulatory requirements as well as other malpractices. The Whistle-blowing Policy and Procedures is a specific means by which an employee or the stakeholders can exercise their responsibility to report or disclose through established channels, their legitimate concerns regarding any unethical conduct, illegal acts or failure to comply with the Company's policies and regulatory requirements responsibly and sensibly.

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 can 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 Whistle-blowing Policy and Procedures is accessible by the public through the Company's corporate website at www.hextarindustries.com.

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

3.3 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 Group had on 1 June 2020, adopted the ABC Policy which set out the Group's responsibilities in providing principles, guidelines and recommendation to the employees on the procedures to deal with solicitation, bribery and corruption that could possibly arise on the business dealing and operation activities.

The Company had also conducted briefings and trainings to all the employees of the Group to create awareness on the ABC Policy to foster commitment of the employees in instil the spirit of integrity and avoid all forms of corruption practices within the organisation.

The ABC Policy is accessible by the public through the Company's corporate website at www.hextarindustries.com.

3.4 Directors' Fit and Proper Policy

In line with Rule 15.01A of the Listing Requirements, the Board has adopted the Directors' Fit and Proper Policy which serves as a guide of the Company and its subsidiaries to the NRC and the Board in their review and assessment of the potential candidates for appointment to the Board as well as the retiring Directors who are seeking reelection at the AGM.

This policy serves to ensure that the person to be appointed or re-elected as a Director possesses the necessary character and integrity, experience and competence as well as the ability to discharge and give appropriate commitment, participation and contribution to the Board and the Company.

The Directors' Fit and Proper Policy shall be reviewed periodically by the Board and be revised at any time as it may deem necessary to ensure that they remain consistent with the Board's objectives and changes in the Listing Requirements and best practices.

The Directors' Fit and Proper Policy is available on the Company's website at www.hextarindustries.com.

4. Sustainability Management

4.1 Sustainability Governance Structure

The Board believes that introducing ESG considerations in its business decisions is essential foundation to achieve long term business success besides creating value for all its stakeholders, as well as a strategic approach to support and empower communities, encourage social inclusivity and improve the environments.

The Board holds the primary responsibility for overseeing sustainability-related matters, including the development of strategies, setting priorities, and establishing targets. Operational execution pertaining to economic, sustainability and social (ESS) factors, as part of the Group's corporate strategies, falls within the purview of the Management.

Corporate Governance Overview Statement

cont'd

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

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

4. Sustainability Management *(cont'd)*

4.1 Sustainability Governance Structure *(cont'd)*

The Board believes that the balancing of ESG with the interest of stakeholders is essential to enhancing investor perception and public trust that works towards value enhancement for stakeholders in the long run. As a responsible corporate citizen, one would have an obligation in making the earth a better place to live in through responsible investing, besides weighing on an appropriate risk return profile for its investments.

With this HIB incorporated its principles of sustainability in its ESG policy. HIB's commitment towards environmental, social and corporate governance issues is strong and hands on and is also an important step towards a more sustainable society in the long run.

4.2 Communication of Sustainability Strategies and Targets

As fiduciary to the Company's shareholders, the Board is focused on maintaining exemplary corporate governance practices, which include a commitment to ethics, integrity and corporate responsibility. The Board also ensures the Company's internal and external stakeholders are well informed on the sustainability strategies, priorities, targets as well as overall performance which the Sustainability Statement has provided a detailed articulation in this Annual Report.

4.3 Managing Sustainability Risks and Opportunities

To strengthen the Group's sustainable strategy framework, Hextar will include ESG as one of the criteria to select future candidates for the Board. In view of the importance of ESG, Hextar also encourages the Board to attend training in relation to ESG topic in order to have a better understanding regarding to the ESG matter.

The management reports to the Risk Management Committee at least twice a year. The risk registers together with the mitigation action taken to prevent the risk occurring was presented to the Risk Management Committee in order for them to have a clear understanding that the Company has truly take their initiative to mitigate any risk that would affect the operation of the Company.

The Board keeps fully abreast of latest regulations and guidance applicable to the business including current and emerging environment problems and develop robust practices around factoring environmental considerations into Board decision making.

4.4 Performance Evaluation of Board and Senior Management

The performance evaluation of the Board for the financial year ended 31 December 2023 included a review of their performance in addressing the Company's material sustainability risk and opportunities ESG issues.

Corporate Governance Overview Statement

cont'd

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

Part II - Board Composition

5. Board's objectivity

5.1 Tenure of the Board

The Nomination and Remuneration Committee ("NRC") is responsible for reviewing the Board's structure, size, and composition regularly as well as making a recommendation to the Board with regard to changes that are deemed necessary.

When recommending to the Board, NRC will consider the required mix of skills, experience, character, integrity, time commitment, and diversity, where appropriate, which the person nominated can bring to the Board.

During the financial year ended 31 December 2023, the NRC assessed the effectiveness of the Board of Directors as a whole and the board committees as well as the contribution and performance of each director.

The NRC annually reviews the performance of directors who are seeking re-election based on competency, preparedness, and contributions. In enhancing the NRC process by the Board, with the recommendation of NRC, a Directors' Fit and Proper Policy had been adopted on 20 June 2022.

5.2 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 | Group Managing Director |
| Sham Weng Kong | Executive Director |
| Ong Tzu Chuen | Non-Independent Non-Executive Director |
| Dato Sri Chee Hong Leong | Independent Non-Executive Director |
| Oon Seow Ling (appointed w.e.f 1 July 2023) | Independent Non-Executive Director |
| Shahjanaz Binti Datuk Kamaruddin (appointed w.e.f 1 March 2024) | Independent Non-Executive Director |

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 the Company, whichever is the higher, are independent directors.

Corporate Governance Overview Statement

cont'd

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

Part II - Board Composition (cont'd)

5. Board's objectivity (cont'd)

5.3 Tenure of Independent Directors

The NRC carries out the evaluation of independence for each Independent Director annually.

The NC has undertaken a review and assessment of the level of independence of the Independent Directors during the financial year ended 31 December 2023 and is satisfied that they are able to discharge their responsibilities in an independent manner. The Independent Directors have also declared their independence to the Board and Management of the Group at a Board Meeting during the year.

Currently, none of the four (4) existing Independent Non-Executive Directors of the Company has exceeded the tenure of a cumulative term of nine (9) years.

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 Non-Executive Directors and their abilities to act in the best interest of the Company.

5.4 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 Independent Non-Executive Director ("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.

5.5 Identification of New Candidates for Appointment of Directors

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.

The Board has entrusted the NRC with the responsibility to consider, review, and recommend the appointment of potential candidates to the Board as proposed by Management or any Director, major shareholder taking into consideration the candidates' skills, knowledge, expertise, and experience, time commitment, character, professionalism, and integrity based on the 'Fit and Proper' Guidelines for key responsible persons as prescribed in the Board Charter.

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 NRC. The NRC 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)

5. Board's objectivity (cont'd)

5.6 Disclosure on the appointment of Director

The Board will consider referrals from external sources to identify suitably qualified candidates when the need arises in the future and will not solely rely on recommendations from existing Board members, Management, and/ or major shareholders.

5.7 Board Statement on the appointment and re-appointment of Directors

There were no individuals standing for election as director at 11th AGM held on 25 May 2023.

The Board will ensure that the notice of general meeting at which an individual is standing for election as director be accompanied by a statement containing the details of the individual including his/her name, age, gender, working experience and any conflict of interest as well as directorship in other companies.

5.8 Chairmanship of the Nomination and Remuneration Committee

The Board has established a NRC 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 NRC can be viewed at the Company's website at www.hextarindustries.com.

The present members of the NRC of the Company are:

| Names | Designation |
|--|------------------------------------|
| Dato Sri Chee Hong Leong (Chairman) | Independent Non-Executive Director |
| Oon Seow Ling (member) <i>(appointed w.e.f 1 July 2023)</i> | Independent Non-Executive Director |
| Shahjanaz Binti Datuk Kamaruddin (member) <i>(appointed w.e.f 1 March 2024)</i> | Independent Non-Executive Director |

The functions of the NRC 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) provide assistance to the Board in establishing the policy and the framework of the Directors' remuneration and the remuneration of certain senior management personnel, including the setting of their key performance indicators;

Corporate Governance Overview Statement

cont'd

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

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

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

5.8 Chairmanship of the Nomination and Remuneration Committee *(cont'd)*

- (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 and 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;
- (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; and
- (vii) 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 NRC during the financial year included the following:

- (i) Reviewed the effectiveness of the Board, as a whole, Board Committees and individual Directors and made an appropriate recommendation to the Board;
- (ii) Reviewed and assessed the independence of INED;
- (iii) Reviewed and recommended the retirement and re-election of Directors for shareholders' approval at the Annual General Meeting in accordance with the Company's Constitution;
- (iv) Reviewed and recommended the payment of Directors' fees and other benefits payable to Directors;
- (v) Reviewed and recommended the payment of bonuses to the Executive Directors and Group Managing Director;
- (vi) Reviewed and recommended the revision of the remuneration of the Executive Directors and Group Managing Director;
- (vii) Reviewed and recommended the appointment of Ms Oon Seow Ling and Ms Shahjanaz Binti Datuk Kamaruddin as Independent Non-Executive Director and member of the AC and NRC of the Company;
- (viii) Reviewed and recommended the restructuring of the composition of AC and NRC; and
- (ix) Reviewed and recommended any modification and/or amendment to the terms of reference of the NRC.

5.9 Board 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 of the Company, which is available on the corporate website www.hextarindustries.com.

Corporate Governance Overview Statement

cont'd

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

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

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

5.9 Board Diversity *(cont'd)*

The Company has made efforts to enhance its Boardroom Diversity, as evidenced by the increase in female directors on the Board from one (1) female Director to three (3) female Directors on Board, representing 42.86% of the total Board members. The female Directors provide the Board with gender diversity that serves to bring value to the Board discussions from different perspectives and approaches as well as different leadership styles.

Equal opportunity is given and does not practise discrimination of any form, whether based on age, gender, race and religion, throughout the organisation.

5.10 Diversity in Senior Management

The Company does not set any specific target for gender diversity at Senior Management level but will continuously strive to have a balance in terms of gender diversity and will actively take the necessary measures towards promoting a corporate culture that embraces the aforesaid gender diversity.

6. Overall Board Effectiveness

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

For financial year ended 31 December 2023 an annual self-assessment of the Board, its Committees and contribution of each individual Director is carried out by the NRC, 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 NRC 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 NRC for review before being shared with the Board for discussion and are taken into accounts when the NRC 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.

Based on the assessment carried out during the financial year ended 31 December 2023, 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.

Corporate Governance Overview Statement

cont'd

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

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

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

6.2 Re-election of Retiring 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 that 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.

Pursuant to Clause 103(1) of the Company's Constitution, Ang Sui Aik and Dato Sri Chee Hong Leong are subject to retirement by rotation at the forthcoming 12th AGM and they have expressed their willingness to seek for re-election at the 12th AGM.

Pursuant to Clause 110 of the Company's Constitution, Oon Seow Ling and Shahjanaz Binti Datuk Kamaruddin are subject to re-election at the forthcoming 12th AGM and they have expressed their willingness to seek for re-election at the 12th AGM.

Pursuant to the NRC's recommendation following the Board assessment carried out in financial year ended 31 December 2023, the Board is satisfied that Ang Sui Aik, Dato Sri Chee Hong Leong, Oon Seow Ling and Shahjanaz Binti Datuk Kamaruddin have contributed positively to the overall effectiveness of the Board and are therefore seeking the approval of the shareholders for the re-election as the Directors of the Company at the 12th AGM.

6.3 Board Commitment

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. 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.

Corporate Governance Overview Statement

cont'd

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

Part II - Board Composition (cont'd)

6. Overall Board Effectiveness (cont'd)

6.3 Board Commitment (cont'd)

During the financial year ended 31 December 2023, the Board conducted six (6) 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 | 6/6 | 100% |
| Ang Sui Aik, Benny | 6/6 | 100% |
| Sham Weng Kong | 6/6 | 100% |
| Ong Tzu Chuen | 6/6 | 100% |
| Dato Sri Chee Hong Leong | 6/6 | 100% |
| Oon Seow Ling (appointed w.e.f 1 July 2024) | 2/2 | 100% |
| Shahjanaz Binti Datuk Kamaruddin (appointed w.e.f 1 March 2024) | N/A | N/A |
| Sim Yee Fuan (resigned w.e.f 30 June 2023) | 4/4 | 100% |

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 the financial year ended 31 December 2023 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.

All Directors appointed to the Board have undergone the Mandatory Accreditation Program ("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)

6. Overall Board Effectiveness (cont'd)

6.3 Board Commitment (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 | CIO Market Outlook Enhanced Practices and Disclosures of Sustainability Statement Malaysian Leadership Summit CIO View: Where do we go from here? Associated Chinese Chambers of Commerce and Industry Malaysia Tech Conference: AI Unplugged Cybersecurity Awareness Training LHAG Legal Innovation Summit 2023 Hitting the Gong: IPO and Listing Your Company at Bursa Malaysia Managing Turnaround Situations for PLCs Mandatory Accreditation Programme Part II: Leading for Impact |
| Ang Sui Aik, Benny | Managing Performance For Result Coping with Global Economic Volatility Keynote: Skills for a fast-moving business environment Leadership that sustains performance and builds trust |
| Sham Weng Kong | Bursa Malaysia Mandatory Accreditation Programme (MAP) Managing Performance for Result |
| Ong Tzu Chuen | Materiality Assessment Workshop by AGV A new investment chapter by Affin Investment Corporate Liability Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act |
| Dato Sri Chee Hong Leong | New Business Models and Strategies for Internet Economy Digital Transformation |
| Oon Seow Ling (appointed w.e.f 1 July 2023) | Bursa Malaysia Mandatory Accreditation Programme (MAP) Audit Committee Conference 2023 MIA Webinar Series, Embracing ESG in Value Creation Sustainability/ ESG Discovery Training ESG, The Future MIA Webinar Series: Introduction to Environmental, Social & Governance (ESG) and Sustainable Finance |
| Shahjanaz Binti Datuk Kamaruddin (appointed w.e.f 1 March 2024) | N/A |

Corporate Governance Overview Statement

cont'd

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

Part II - Board Composition (cont'd)

6. Overall Board Effectiveness (cont'd)

6.3 Board Commitment (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

7. Level and Composition of Remuneration

7.1 Remuneration Committee

The Remuneration Committee has merged with the Nomination Committee and renamed as Nomination and Remuneration Committee ("NRC") on 25 May 2023 to enhance the efficiency of the Board in discharging its duties and responsibilities.

The NRC is populated solely by INEDs to assist the Board for determining the Director's remuneration.

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

The present members of the NRC are as follow:

| Names | Designation |
|---|------------------------------------|
| Dato Sri Chee Hong Leong (Chairman) | Independent Non-Executive Director |
| Oon Seow Ling (member) (appointed w.e.f 1 July 2023) | Independent Non-Executive Director |
| Shahjanaz Binti Datuk Kamaruddin (member) (appointed w.e.f 1 March 2024) | Independent Non-Executive Director |

During the financial year ended 31 December 2023, the NRC had reviewed and recommended the payment of Directors' fees and other benefits payable to Directors.

7.2 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.

Corporate Governance Overview Statement

cont'd

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

Part III - Remuneration (cont'd)

7. Level and Composition of Remuneration (cont'd)

7.2 Remuneration Policies and Procedures (cont'd)

The NRC met once in financial year ended 31 December 2023 to consider the remuneration package for the Executive Director as well as Directors' fees and benefits payable for the Directors.

The Directors' fees and benefits 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.

8. Remuneration of Directors and Senior Management

8.1 Details of Directors' Remuneration

Details of the Directors' remuneration (including benefits-in-kind) in respect of the financial year ended 31 December 2023 as follows:-

| Directors | Fees (RM) | Salaries and * other emoluments (RM) | Total (RM) |
|--|--------------|---|---------------|
| Dato' Chan Choun Sien | 54,000 | 3,500 | 57,500 |
| Ang Sui Aik, Benny | - | 1,143,923 | 1,143,923 |
| Sham Weng Kong | - | 1,078,419 | 1,078,419 |
| Ong Tzu Chuen | 42,000 | 3,500 | 45,500 |
| Dato Sri Chee Hong Leong | 42,000 | 3,500 | 45,500 |
| Oon Seow Ling (appointed w.e.f 01.07.2023) | 24,000 | 1,000 | 25,000 |
| Shahjanaz Binti Datuk Kamaruddin (appointed w.e.f 01.03.2024) | N/A | N/A | N/A |
| Sim Yee Fuan (resigned w.e.f 30.06.2023) | 18,000 | 2,500 | 20,500 |

Note:

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

Corporate Governance Overview Statement

cont'd

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

Part III - Remuneration (cont'd)

8. Remuneration of Directors and Senior Management (cont'd)

8.2 Remuneration of 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 December 2023, is tabulated below:

| Range of Remuneration | Name of Senior Management |
|-----------------------|----------------------------------|
| Below RM50,000 | Ke Tung Chen |
| RM50,001 – RM100,000 | - |
| RM100,001 – RM150,000 | - |
| RM150,001 – RM200,000 | - |
| RM200,001 – RM250,000 | - |
| RM250,001 – RM300,000 | - |
| RM300,001 – RM350,000 | Martin Lee Lee Kok Ping |
| Above RM350,001 | Leong Hin Kieat Wong Kin Seng |

The Board ensures that the remuneration of the Senior Management commensurate with their individual performances and level of responsibility as well as the demands, complexities and performance of the Company, with due consideration to attract, retain and motivating the Senior Management.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I - Audit Committee

9.1 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 9.1 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.

9.2 Policy requiring former audit partner to observe 3-year cooling off period

None of the members of the Board were former audit partners. Therefore, no former audit partner is appointed to the AC. A former audit partner will be required to observe a cooling-off period of at least three (3) years before being appointed as a member of the AC.

Corporate Governance Overview Statement

cont'd

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

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

9.3 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.

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 December 2023.

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 December 2024.

Corporate Governance Overview Statement

cont'd

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

Part I - Audit Committee (cont'd)

9.4 Composition of the AC

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

| Names | Designation |
|---|------------------------------------|
| Oon Seow Ling (Chairperson) | Independent Non-Executive Director |
| Dato Sri Chee Hong Leong (member) | Independent Non-Executive Director |
| Shahjanaz Binti Datuk Kamaruddin (member) | Independent Non-Executive Director |

The terms of reference and summary of activities of the AC are set out in the Audit Committee Report of this Annual Report 2023.

Part II - Risk Management and Internal Control Framework

10. 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 of risks occurring and the impact thereof should the risks crystallise.

The Risk Management Committee ("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) | Independent Non-Executive Director |
| Dato' Chan Choun Sien (member) | Independent Non-Executive Chairman |
| Sham Weng Kong (member) | Executive Director |

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.

11. 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.

Corporate Governance Overview Statement

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

Part I - Communication with Stakeholders

12. Continuous Communication between Company and Stakeholders

12.1 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.

Part II - Conduct of General Meetings

13.1 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-one 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 program 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.

Corporate Governance Overview Statement

cont'd

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

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

13.2 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 Eleventh (11th) AGM of the Company held on 25 May 2023, all the Directors had participated online to engage directly with shareholders and be accountable for their stewardship of the Company.

13.3 Leverage on Information Technology for Effective Dissemination of Information

The Company has held its 11th AGM on a virtually basis and entirely via remote participation and voting. This allows the shareholders to participate (including posing questions to the Company/Board) and vote remotely at the AGM without being physically present at the broadcast venue.

Shareholders who are unable to attend the AGM may appoint proxy(ies) to participate on his/her behalf by submitting the duly executed proxy form to the Company' share registrar in hard copy or by electronic means. Alternatively, they may exercise their voting rights by appointing the Chairman of the meeting as his/her proxy with a pre-determined proxy form.

Shareholders will be allowed to cast their votes via an online platform at the time of the meeting until a time when the Chairman of the meeting announces the completion of the voting session.

13.4 Infrastructure for Virtual AGM

The system used to handle virtual AGM was tested prior to the AGM and it could support interactions between the Board and senior management team with the shareholders. Questions raised by shareholders could be posted on the meeting platform or read out by the host of the meeting before the Board is invited to respond to the questions.

13.5 Minutes of General Meeting

Minutes of the General Meeting was posted on the Company's website within 30 business days from the date of the General Meeting.

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 4 April 2024.

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 9.4 of the Malaysian Code on Corporate Governance (“MCCG”).

The present members of the AC are as follows:

| Name | Designation | Directorship |
|---|-------------|------------------------------------|
| Oon Seow Ling <i>(appointed w.e.f 01.07.2023)</i> | Chairperson | Independent Non-Executive Director |
| Shahjanaz Binti Datuk Kamaruddin <i>(appointed w.e.f 01.03.2024)</i> | Member | Independent Non-Executive Director |
| Dato Sri Chee Hong Leong | Member | Independent Non-Executive Director |

MEETING AND ATTENDANCE

The AC met six (6) times during the financial year ended 31 December 2023 to discuss 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 six (6) meetings held during the financial year ended 31 December 2023 were tabulated as below: -

| Members | Designation | Attendance |
|---|-------------|------------|
| Oon Seow Ling <i>(appointed w.e.f 01.07.2023)</i> | Chairperson | 2/2 |
| Dato Sri Chee Hong Leong | Member | 6/6 |
| Shahjanaz Binti Datuk Kamaruddin <i>(appointed w.e.f 01.03.2024)</i> | Member | N/A |
| Sim Yee Fuan <i>(Resigned w.e.f 30.06.2023)</i> | Chairman | 4/4 |
| Dato' Chan Choun Sien <i>(Resigned w.e.f 01.03.2024)</i> | Member | 6/6 |

The six (6) AC meeting for financial year ended 31 December 2023 was held on 27 January 2023, 22 February 2023, 10 April 2023, 25 May 2023, 24 August 2023 and 23 November 2023.

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.

Audit Committee Report

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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.

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 Chairperson 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 December 2023, 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. Evaluated the performance of the External Auditors for the financial period ended 31 December 2023 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;
- 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;

Audit Committee Report

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SUMMARY ACTIVITIES OF THE AC DURING THE YEAR *(cont'd)*

- 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. Conflict of Interest situation or any potential conflict of interest arise, persist or may arise with the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity, and in relation thereto, the measure taken to resolve; and
- xiv. 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.

CONFLICT OF INTEREST

Pursuant to Rule 15.12 of the ACE Market Listing Requirements of Bursa Securities, the Audit Committee is responsible for reviewing the conflict of interest situation that arose, persist or may arise within the Group, including any transaction, procedure or course of conduct that raises questions of management integrity, and the measures taken to resolve, eliminate or mitigate such conflict.

During the financial year ended 31 December 2023, the AC had reviewed the Group's conflict of interest or potential conflict of interest on quarterly basis and they noted that there were no any conflict of interest or potential conflict of interest that arose, persist or may arise including any transaction, procedure or course of conduct that raises question of management integrity within the Group.

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 professional Internal Auditor staff member in the assignment during the financial year ended 31 December 2023.

In addition, the Group has engaged Baker Tilly Monteiro Heng Governance Sdn. Bhd. to review the sustainability reporting process. The audit is led by Ms. Heng Cheng Zin, a Certified Practising Accountant Australia (CPA) and a member of Institute of Internal Auditors (IIA). She has over 17 years of Internal Audit, Internal Control Review and Compliance experience. She was assisted by four professional Internal Auditor staff members in the assignment during the financial year ended 31 December 2023.

The Internal Audit firms appointed by the Company are 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.

Audit Committee Report

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INTERNAL AUDIT FUNCTIONS AND ACTIVITIES *(cont'd)*

The costs incurred for the internal audit function in respect of the financial year ended 31 December 2023 was approximately RM73,000.

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 December 2023, 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 Production Process of Hextar Solutions Sdn Bhd
- ii. To review the Production Process of Hextar Fert Sdn Bhd
- iii. To review the Production Process of PK Fertilizers Sdn Bhd
- iv. To review the Sustainability Reporting Process of Hextar Industries Berhad

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”) 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 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 period under review and up to the date of issuance of the annual report is adequate and effective to safeguard the shareholders’ investment, 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.

Key risks for respective business divisions are identified and proper control measures are in place to minimize 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.

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)

During the financial year, the Group's management conducted a risk assessment and identified two key risks that could impact HIB Group. These risks include compliance risk on the corporate governance requirements and compliance risk on environmental, social and corporate governance ("ESG").

Corporate governance guidelines evolve over time, the company terms of reference and policies may not be reflective which potentially leading to the confusion and compliance risk. To mitigate the risk, HIB engaged the Company Secretary to review and update related documents based on listing requirements to ensure compliance with the best practices. Additionally, HIB uploaded the latest related documents to the company website which can be easily accessed by the stakeholders.

For the risk of environmental, social and corporate governance ("ESG") that potential failure to adhere to established regulations, standards, and reporting requirements related to sustainability practices, HIB engaged the Internal Auditors to review ESG-related risk management strategies, and ESG policies and procedures to assess adequacy and compliance. The aim is to ensure that HIB Group's sustainability report comprises the primary components in accordance with the Bursa Malaysia Securities Listing Requirements ("LR") (e.g., Material ESG factors, Targets, etc.) and any exclusions have been disclosed.

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 of the adequacy, efficiency, and effectiveness of the Group's internal control system.

During the financial year ended 31 December 2023, the internal audit function of the Group was carried out based on the approved internal audit plan. The review focused on the production planning procedures, authorization and accounting of raw materials, accurate and timely recording of work-in-progress and finished goods, and the review of quality control procedures for three companies: Hextar Fert Sdn. Bhd., Hextar Solutions Sdn. Bhd. and PK Fertilizers Sdn Bhd.

The internal audit findings and recommended corrective actions were presented directly to the Audit Committee. Based on the internal audit review conducted, certain weaknesses surrounding the Production Process for these three companies were highlighted to the management. Follow-up reviews were conducted to ensure that corrective actions have been implemented in a timely manner.

In FYE 2023, the Group had reviewed the related Standard Operating Policy and Procedures to address the issues highlighted in the internal audit.

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 December 2023 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.

Additional Compliance Information

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 December 2023 ("FY2023") were as follows:

| | Company (RM) | Group (RM) |
|-----------------------------|-----------------|----------------|
| Audit Services Rendered | 100,000 | 448,000 |
| Non-Audit Services Rendered | 162,000 | 162,000 |
| TOTAL | 262,000 | 610,000 |

2. MATERIAL CONTRACTS

Hextar Industries Berhad ("HIB" or "the Company") had on 5 September 2023, entered into a conditional Share Sales Agreement ("SSA") with Chew Fei Fei, Chew Siau Fong, Tan Tian Goh, Tan Tian Kuan and Tan Tian Sin to acquire 100% equity interest of Pacific Office (M) Sdn. Bhd. for a total cash consideration of RM16.5 million upon the terms and conditions set out in the SSA. On 24 October 2023, the Company completed the acquisition.

HIB has subsequently entered into a Share Sales Agreement with Hextar Holdings Sdn. Bhd. ("HHSB") on 15 December 2023, to acquire 70% equity interest in Hextar Mitai Sdn. Bhd. ("HMT") from HHSB for a total purchase consideration of RM4.6 million. On 15 December 2023, the Company completed the acquisition.

HHSB (the Vendor), being the major shareholder of the Company, is also the major shareholder of HMT.;

Dato' Ong Choo Meng and Dato' Ong Soon Ho, being the major shareholders of the Company via their indirect interest through HHSB, are also the directors and major shareholders of HMT via their indirect interest through HHSB.

3. MATERIAL CONTRACTS RELATING TO LOANS

During the financial year ended 31 December 2023, 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.

Additional Compliance Information

cont'd

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

The Recurrent Related Party Transactions of a Revenue or Trading Nature incurred during the financial year ended 31 December 2023 are set out as below:-

| Name of Related Parties | Nature of Transaction | Interested Directors, Major Shareholders and Persons Connected | Aggregate value made during the financial year ended 31 December 2023 (RM) |
|------------------------------|-----------------------|---|--|
| Hextar Premier Sdn. Bhd. | Factory rental | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho | 676,800 |
| Teju Logistics Sdn. Bhd. | Hiring of lorry | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho | 257,985 |
| Hextar Mitai Sdn. Bhd. | Sales | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB | 14,900 |
| Halex Woolton (M) Sdn. Bhd. | Sales | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB | 36,750 |
| Rubberex Alliance Sdn. Bhd. | Sales | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho | 432,846 |
| Rubberex (M) Sdn. Berhad | Sales | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho | 19,372 |
| Hextar Global Berhad | Sales | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB | 1,150 |
| Hextar Chemicals Sdn. Bhd. | Sales | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB | 376,226 |
| Hextar Oil And Gas Sdn. Bhd. | Sales | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB | 82,689 |
| Hextar KCS Sdn. Bhd. | Sales | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB | 717 |

Additional Compliance Information

cont'd

4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING NATURE (“RRPT”) (cont'd)

| Name of Related Parties | Nature of Transaction | Interested Directors, Major Shareholders and Persons Connected | Aggregate value made during the financial year ended 31 December 2023 (RM) |
|---|---|---|--|
| Hextar Asset Management Sdn. Bhd. | Management fees Administrative expenses Storage charges | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB | 1,726,829 |
| Opcom Lube & Solutions Sdn. Bhd. | Purchase | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB | 93,361 |
| Amalan Pretasi Sdn. Bhd. | Warehouse rental | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB | 4,064,780 |
| Hextar Fertilizers Sdn. Bhd. | Warehouse rental | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB | 256,000 |
| Ong Tzu Chuen | Office rental | Dato' Ong Choo Meng Dato' Ong Soon Ho | 76,800 |
| Teju Logistics Sdn. Bhd. | Office rental | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho | 77,674 |
| Hextar Chemicals Sdn. Bhd. | Purchase | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB | 570,747 |
| Teju Logistics Sdn. Bhd. | Warehouse rental | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho | 2,268,000 |
| Halex (M) Sdn. Bhd. | Sales | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB | 42,190 |
| Halex (M) Sdn. Bhd. | Purchase | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB | 10,500 |
| Evergreen Agricultural Services Sdn. Bhd. | Transportation charges | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB | 53,568 |

Additional Compliance Information

cont'd

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

| Name of Related Parties | Nature of Transaction | Interested Directors, Major Shareholders and Persons Connected | Aggregate value made during the financial year ended 31 December 2023 (RM) |
|--|-----------------------|--|--|
| Evergreen Agricultural Services Sdn. Bhd. | Storage charges | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB | 578,289 |
| CIBC Technology Sdn. Bhd. | Sales | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho | 530 |
| Complete Logistics Specialist Sdn. Bhd. | Sales | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho | 565 |
| Finesse Moulding (M) Sdn. Bhd. | Sales | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho | 4,396 |
| Hextar Asset Management Sdn. Bhd. | Sales | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB | 809 |
| Hextar R&D International Sdn. Bhd. | Sales | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB | 3,708 |
| Kip Reit Management Sdn. Bhd. | Sales | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho | 398 |
| Nobel Synthetic Polymer Sdn. Bhd. | Sales | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB | 669 |
| Hextar Capital Berhad | Sales | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho | 771 |
| Opcom Shared Services Sdn. Bhd. | Sales | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho | 1,500 |
| Rezson Diagnostics International Sdn. Bhd. | Sales | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho Dato' Chan Choun Sien | 379 |
| Hextar Vision Sdn. Bhd. | Sales | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho | 1,230 |

Additional Compliance Information

cont'd

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

| Name of Related Parties | Nature of Transaction | Interested Directors, Major Shareholders and Persons Connected | Aggregate value made during the financial year ended 31 December 2023 (RM) |
|--|-----------------------|--|--|
| Hextech Management Sdn. Bhd. | Sales | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho | 939 |
| Opcom Cables Sdn. Bhd. | Sales | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho | 1,999 |
| Unigel Compounds Sdn. Bhd. | Sales | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho | 270 |
| Reszon Diagnostics International Sdn. Bhd. | Purchase | Dato' Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho Dato' Chan Choun Sien | 4,470 |

Besides, the Company is seeking approval from the shareholders for the proposed new and renewal shareholders' mandate for the Company to enter into RRPT(s) of a revenue or trading nature pursuant to Rule 10.09 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad at the forthcoming Annual General Meeting to be convened on Tuesday, 21 May 2024 at 10:00 a.m.. The details as enclosed in the circular dated 29 April 2024.

5. UTILISATION PROCEEDS FROM CORPORATE EXERCISE

There were no proceeds raised from any corporate proposals during the financial year ended 31 December 2023.

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 December 2023, 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

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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 December 2023.

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'000 | Company RM'000 |
|-----------------------------------|-----------------|-------------------|
| Net profit for the financial year | 42,078 | 54,634 |
| Attributable to: | | |
| owners of the Company | 41,906 | 54,634 |
| non-controlling interests | 172 | - |
| | 42,078 | 54,634 |

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

Since the end of the previous financial period, the Company declared:

- (i) An interim single-tier dividend of RM0.01 per ordinary share totalling RM27,473,416 in respect of the financial period ended 31 December 2022 on 22 February 2023. The dividend was subsequently paid on 15 March 2023;
- (ii) A first interim single-tier dividend of RM0.01 per ordinary share totalling RM27,473,416 in respect of the financial year ended 31 December 2023 on 24 August 2023. The dividend was subsequently paid on 20 September 2023; and
- (iii) A second interim single-tier dividend of RM0.01 per ordinary share totalling RM27,473,416 in respect of the financial year ended 31 December 2023 on 22 February 2024. The dividend was subsequently paid on 15 March 2024.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2023.

Directors' Report

cont'd

ISSUE OF SHARES AND DEBENTURES

There was no issuance of shares and debentures during the financial year.

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:

| | |
|----------------------------------|-----------------------------|
| Ang Sui Aik | |
| Dato' Chan Choun Sien | |
| Dato' Sri Chee Hong Leong | |
| Ong Tzu Chuen | |
| Sham Weng Kong | |
| Oon Seow Ling | (Appointed on 1 July 2023) |
| Shahjanaz binti Datuk Kamaruddin | (Appointed on 1 March 2024) |
| Sim Yee Fuan | (Resigned on 30 June 2023) |

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 | |
| Teh Li King | |
| Ong Soon Hooi | |
| Ooi Youk Lan | |
| Wong Kin Seng | |
| Chew Siau Fong | |
| Ke Tung Chen | |
| Dato' Ong Choo Meng | (Resigned on 12 April 2023) |
| Dato' Ong Soon Ho | (Resigned on 12 April 2023) |
| Tan Tian Sin | (Resigned on 4 November 2023) |

Directors' Report

cont'd

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 1.1.2023 | Acquired | Disposed | At 31.12.2023 |
| Direct interest | | | | |
| Ang Sui Aik | - | 100,000 | - | 100,000 |
| Dato' Chan Choun Sien | 2,200,200 | - | 2,200,200 | - |
| Sham Weng Kong | 550,000 | 450,000 | - | 1,000,000 |
| Deemed interest | | | | |
| Dato' Chan Choun Sien * | 66,666 | - | - | 66,666 |

* 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 subsidiaries companies during the financial year to the extent that the Company has interest.

Other than as disclosed above, there is no other Directors who are 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 period, no Director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors, or the fixed salary of a full time employee of the Company) 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 35(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

Directors' remuneration paid to or receivable by Directors from the Company and subsidiaries of the Company in respect of the financial year is as follows:

| | Group RM'000 | Company RM'000 |
|---------------------------------|-----------------|-------------------|
| Director fees | 180 | 180 |
| Director remuneration | 1,957 | - |
| Other remuneration and benefits | 1,416 | 21 |
| | 3,553 | 201 |

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

No indemnity has been given to or insurance effected for the Directors and 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 indemnify 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.

Directors' Report

cont'd

OTHER STATUTORY INFORMATION *(cont'd)*

- (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.
- (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 period 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.

HOLDING COMPANY

The Directors regard Hextar Holdings Sdn. Bhd., a company incorporated in Malaysia as the holding company.

SUBSIDIARIES

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

AUDITORS

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

The auditors' remuneration for the financial year is RM448,000 and RM100,000 for the Group and the Company respectively.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors on 16 April 2024,

ANG SUI AIK
Director

SHAM WENG KONG
Director

Kuala Lumpur

Statement by Directors

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

We, **Ang Sui Aik** and **Sham Weng Kong**, being two of the Directors of **Hextar Industries Berhad**, state that, in the opinion of the Directors, the accompanying financial statements set out on pages 110 to 208 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 December 2023 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 16 April 2024,

ANG SUI AIK
Director

SHAM WENG KONG
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**, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 110 to 208 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 16 April 2024)

Lee Kok Ping (44986)

Before me,

COMMISSIONER FOR OATHS

Independent Auditors' Report

to the members of Hextar Industries 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** ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position as at 31 December 2023 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 financial year then ended, and notes to the financial statements, including a material accounting policy information, as set out on pages 110 to 208.

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 December 2023, and of their financial performance and their cash flows for the financial 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
(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

Group

Impairment review on cash generating unit ("CGU")

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 and intangible assets 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.

During the current financial year, the Group had completed the acquisition of two subsidiaries, Pacific Office (M) Sdn. Bhd. and Hextar Mitai Sdn. Bhd.. Accordingly, the Group had performed the purchase price allocation exercise and recognised provisional amounts for identifiable assets and liabilities arising from acquisition, including intangible assets relating to customer relationship of RM439,438 with corresponding deferred tax liabilities of RM105,465, and goodwill in consolidation of RM7,881,535.

The Group's had recognised an impairment of goodwill amounted RM14,368,476 on the equipment rental segment.

As at 31 December 2023, the Group's intangible assets amounted to RM8,374,328 and representing 1.12% of total assets of the Group.

We considered the impairment assessment of CGU an area of focus for our audit as 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.

Out 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;
- obtained an understanding of the methodology adopted by the management in estimating the fair values of the identifiable assets and liabilities; and
- reviewed by the provisional amounts derived by the management and evaluated the assumption adopted in arriving at such provisional amounts.

Based on the procedure performed, no material exceptions were noted.

Independent Auditors' Report

to the members of Hextar Industries 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

Group (cont'd)

Impairment review on inventories

Refer to Note 9 to the financial statements.

As at 31 December 2023, the Group's inventories amounted to RM186,774,511 and is representing 24.91% 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 market demand. 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.

Impairment of trade receivables

Refer to Note 8 to the financial statements.

As at 31 December 2023, the Group's trade receivables' net carrying amount of RM199,897,586 representing 26.66% 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.

Independent Auditors' Report

to the members of Hextar Industries 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

Company

Impairment assessment of investment in subsidiary companies

Refer to Note 6 to the financial statements.

As at 31 December 2023, the Company's carrying amounts of investment in subsidiary companies amounted to RM596,382,136, representing 83.07% of total assets of the Company.

We considered the impairment assessment of investment in subsidiary companies an area of focus for our audit as the determination of the recoverable amount of the investment in subsidiary companies require significant judgement and estimates about the future results and key assumption applied to cash flow projections of the subsidiaries in determining the recoverable amounts.

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; and
- analysed the sensitivity of key assumption by assessing the impact of changes to key assumption used in the impairment assessment.

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 2023, 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.

Independent Auditors' Report

to the members of Hextar Industries 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

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.

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.

Independent Auditors' Report

to the members of Hextar Industries 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)*

- (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.

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
02696/09/2025 J
Chartered Accountant

Kuala Lumpur
16 April 2024

Statements of Financial Position

as at 31 December 2023

| | Note | Group | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | 5 | 206,389 | 231,856 | - | - |
| Investment in subsidiary companies | 6 | - | - | 596,382 | 575,331 |
| Intangible assets | 7 | 8,374 | 14,430 | - | - |
| Trade receivables | 8 | 393 | 925 | - | - |
| | | 215,156 | 247,211 | 596,382 | 575,331 |
| Current assets | | | | | |
| Inventories | 9 | 186,775 | 280,347 | - | - |
| Trade receivables | 8 | 199,504 | 254,254 | - | - |
| Other receivables | 10 | 17,393 | 20,830 | 9 | 5 |
| Contract assets | 11 | 9,998 | - | - | - |
| Amount due from subsidiary companies | 12 | - | - | 64,750 | 97,700 |
| Amount due from related companies | 13 | 340 | - | - | - |
| Amount due from related parties | 14 | 9 | - | - | - |
| Tax recoverable | | 199 | 1,154 | 30 | 36 |
| Other investment | 15 | 12,138 | - | - | - |
| Fixed deposits with financial institutions | 16 | 538 | 403 | - | - |
| Cash and bank balances | | 107,754 | 76,089 | 56,715 | 27,090 |
| | | 534,648 | 633,077 | 121,504 | 124,831 |
| Assets classified as held for sale | 17 | - | 267 | - | - |
| | | 534,648 | 633,344 | 121,504 | 124,831 |
| Total assets | | 749,804 | 880,555 | 717,886 | 700,162 |

Statements of Financial Position

as at 31 December 2023

cont'd

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Equity | | | | | |
| Share capital | 18 | 671,443 | 671,443 | 671,443 | 671,443 |
| Merger deficit | 19 | (559,301) | (559,301) | - | - |
| Revaluation reserve | 20 | 35,322 | 36,261 | - | - |
| Retained earnings | | 190,149 | 202,251 | 27,762 | 28,075 |
| Total equity attributable to shareholders of the Company | | 337,613 | 350,654 | 699,205 | 699,518 |
| Non-controlling interest | | 2,028 | - | - | - |
| Total equity | | 339,641 | 350,654 | 699,205 | 699,518 |
| Non-current liabilities | | | | | |
| Lease liabilities | 21 | 45,948 | 68,538 | - | - |
| Hire purchase payables | 22 | 2,273 | 2,710 | - | - |
| Bank borrowings | 23 | 40,876 | 47,792 | - | - |
| Deferred tax liabilities | 24 | 25,706 | 22,671 | - | - |
| | | 114,803 | 141,711 | - | - |
| Current liabilities | | | | | |
| Trade payables | 25 | 64,538 | 104,695 | - | - |
| Other payables | 26 | 37,447 | 41,978 | 3,681 | 544 |
| Contract liabilities | 11 | 1,397 | 397 | - | - |
| Amount due to a subsidiary company | 12 | - | - | - | 100 |
| Amount due to related companies | 13 | 32 | 17 | - | - |
| Amount due to related parties | 14 | 23 | - | - | - |
| Derivative liabilities | 27 | 68 | 361 | - | - |
| Lease liabilities | 21 | 4,195 | 5,977 | - | - |
| Hire purchase payables | 22 | 1,277 | 1,143 | - | - |
| Bank borrowings | 23 | 175,446 | 223,318 | 15,000 | - |
| Tax payable | | 10,937 | 10,304 | - | - |
| | | 295,360 | 388,190 | 18,681 | 644 |
| Total liabilities | | 410,163 | 529,901 | 18,681 | 644 |
| Total equity and liabilities | | 749,804 | 880,555 | 717,886 | 700,162 |

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 December 2023

| | Note | Group | | Company | |
|--|------|--|--|--|--|
| | | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 |
| Revenue | 28 | 936,986 | 1,285,701 | 56,350 | 30,800 |
| Cost of sales | | (780,807) | (1,064,562) | - | - |
| Gross profit | | 156,179 | 221,139 | 56,350 | 30,800 |
| Other income | | 6,338 | 9,339 | 306 | 763 |
| Net impairment gain/(loss) on financial assets | | 756 | (5,499) | - | - |
| Administrative expenses | | (38,474) | (43,624) | (1,762) | (2,177) |
| Selling and distribution expenses | | (34,977) | (38,293) | - | - |
| Other operating expenses | | (16,465) | (8,060) | - | - |
| Profit from operations | | 73,357 | 135,002 | 54,894 | 29,386 |
| Finance costs | 29 | (16,175) | (19,387) | (198) | (507) |
| Profit before tax | 30 | 57,182 | 115,615 | 54,696 | 28,879 |
| Taxation | 32 | (15,104) | (17,574) | (62) | (183) |
| Profit for the financial year/period | | 42,078 | 98,041 | 54,634 | 28,696 |

Statements of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2023
cont'd

| | Note | Group | | Company | |
|---|------|--|--|--|--|
| | | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 |
| Profit for the financial year/period | | 42,078 | 98,041 | 54,634 | 28,696 |
| Other comprehensive income | | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | | | |
| - Net impact on revaluation of property, plant and equipment | | - | 7,958 | - | - |
| Total comprehensive income for the financial year/period | | 42,078 | 105,999 | 54,634 | 28,696 |
| Profit/(loss) for the financial year/period attributable to: | | | | | |
| Owners of the Company | | 41,906 | 98,085 | 54,634 | 28,696 |
| Non-controlling interests | | 172 | (44) | - | - |
| Net profit for the financial year/period | | 42,078 | 98,041 | 54,634 | 28,696 |

Statements of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2023

cont'd

| | Note | Group | | Company | |
|---|------|--|--|--|--|
| | | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 |
| Total comprehensive income/(loss) for the financial year/period attributable to: | | | | | |
| Owners of the Company | | 41,906 | 106,043 | 54,634 | 28,696 |
| Non-controlling interests | | 172 | (44) | - | - |
| Total comprehensive income for the financial year/period | | 42,078 | 105,999 | 54,634 | 28,696 |
| Earnings per share attributable to owners of the Company: | | | | | |
| Basic (Sen) | 34 | 1.53 | 4.01 | | |
| Diluted (Sen) | 34 | 1.53 | 4.01 | | |

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

Statements of Changes in Equity

for the financial year ended 31 December 2023

| | Attributable to owners of the Company | | Distributable | | Non-controlling interest | | Total equity RM'000 |
|---|---------------------------------------|--------------------------|-------------------------------|-----------------------------|--------------------------|--------|------------------------|
| | Share capital RM'000 | Merger deficit RM'000 | Revaluation reserve RM'000 | Retained earnings RM'000 | Total RM'000 | RM'000 | |
| Group | | | | | | | |
| At 1 January 2023 | 671,443 | (559,301) | 36,261 | 202,251 | 350,654 | - | 350,654 |
| Profit for the financial year | - | - | - | 41,906 | 41,906 | 172 | 42,078 |
| Realisation of revaluation reserve | - | - | (939) | 939 | - | - | - |
| Effect arising from the acquisition of a subsidiary | - | - | - | - | - | 1,856 | 1,856 |
| Dividends | - | - | - | (54,947) | (54,947) | - | (54,947) |
| At 31 December 2023 | 671,443 | (559,301) | 35,322 | 190,149 | 337,613 | 2,028 | 339,641 |

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Statements of Changes in Equity

for the financial year ended 31 December 2023

cont'd

| | Attributable to owners of the Company | | | | | | | | | | Total equity RM'000 |
|--|---------------------------------------|----------------|---------------------|--------------------------------------|-----------------|-------------------|-----------|--------------------------|-----------|--------|------------------------|
| | Non-distributable | | | | | Distributable | | | | | |
| | Share capital | Merger deficit | Revaluation reserve | Foreign currency translation reserve | Capital reserve | Retained earnings | Total | Non-controlling interest | Total | | |
| Note | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| Group | | | | | | | | | | | |
| At 1 September 2021 | 76,159 | (23,859) | - | (3) | - | 27,574 | 79,871 | 4,020 | 83,891 | | |
| Effect of changes in composition of the group | 67,190 | (33,039) | 39,863 | - | 30,000 | 31,796 | 135,810 | - | 135,810 | | |
| Effect of striking off a subsidiary | - | - | - | 3 | - | - | 3 | - | 3 | | |
| Changes in ownership interests in a subsidiary | - | - | - | - | - | (2,317) | (2,317) | (3,976) | (6,293) | | |
| Issuance of shares pursuant to: | | | | | | | | | | | |
| - rights issue | 111,584 | - | - | - | - | - | 111,584 | - | 111,584 | | |
| - acquisition of subsidiaries | 480,000 | - | - | - | - | - | 480,000 | - | 480,000 | | |
| - adjustment on acquisition of subsidiaries | (67,190) | (502,403) | - | - | - | - | (569,593) | - | (569,593) | | |
| - exercise of Warrants | 5,041 | - | - | - | - | - | 5,041 | - | 5,041 | | |
| Share issuance expenses | (1,341) | - | - | - | - | - | (1,341) | - | (1,341) | | |
| Total transactions with owners of the Company | 595,284 | (535,442) | 39,863 | 3 | 30,000 | 29,479 | 159,187 | (3,976) | 155,211 | | |

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Statements of Changes in Equity

for the financial year ended 31 December 2023

cont'd

| | Attributable to owners of the Company | | | | | | | | | |
|---|---------------------------------------|----------------|---------------------|--------------------------------------|-----------------|-------------------|---------|--------------------------|--------------|--------|
| | Non-distributable | | | | | Distributable | | | | |
| | Share capital | Merger deficit | Revaluation reserve | Foreign currency translation reserve | Capital reserve | Retained earnings | Total | Non-controlling interest | Total equity | |
| Note | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the financial period | - | - | - | - | - | 98,085 | 98,085 | (44) | 98,041 | |
| Other comprehensive income for the financial period | - | - | 7,958 | - | - | - | 7,958 | - | 7,958 | |
| - net impact on revaluation of property, plant and equipment | - | - | 7,958 | - | - | - | 7,958 | - | 7,958 | |
| Total comprehensive income/(loss) for the financial period | - | - | 7,958 | - | - | 98,085 | 106,043 | (44) | 105,999 | |
| Realisation of revaluation reserve | - | - | (1,525) | - | - | 1,525 | - | - | - | |
| Utilisation of the capital reserve | - | - | - | - | (25,000) | 25,000 | - | - | - | |
| Realisation of capital reserve | - | - | - | - | (5,000) | 5,000 | - | - | - | |
| Net impact on disposal of revalued properties | - | - | (20,049) | - | - | 27,923 | 7,874 | - | 7,874 | |
| Net impact on revocation of disposal of revalued properties in prior year | - | - | 10,014 | - | - | (12,335) | (2,321) | - | (2,321) | |
| At 31 December 2023 | 671,443 | (559,301) | 36,261 | - | - | 202,251 | 350,654 | - | 350,654 | |

Statements of Changes in Equity

for the financial year ended 31 December 2023

cont'd

| | Note | Non-Distributable Share capital RM'000 | Distributable (Accumulated losses)/ Retained earning RM'000 | Total equity RM'000 |
|---|------|---|--|------------------------|
| Company | | | | |
| At 1 September 2021 | | 76,159 | (621) | 75,538 |
| Exercise of Warrants | | 5,041 | - | 5,041 |
| Issuance of shares pursuant to: | 18 | | | |
| - rights issue | | 111,584 | - | 111,584 |
| - acquisition of subsidiaries | | 480,000 | - | 480,000 |
| Share issuance expenses | | (1,341) | - | (1,341) |
| Profit for the financial period, representing total comprehensive income for the financial period | | - | 28,696 | 28,696 |
| At 31 December 2022 | | 671,443 | 28,075 | 699,518 |
| At 1 January 2023 | | 671,443 | 28,075 | 699,518 |
| Profit for the financial year, representing total comprehensive income for the financial year | | - | 54,634 | 54,634 |
| Dividends | 33 | - | (54,947) | (54,947) |
| At 31 December 2023 | | 671,443 | 27,762 | 699,205 |

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

Statements of Cash Flows

for the financial year ended 31 December 2023

| | Note | Group | | Company | |
|--|------|--|--|--|--|
| | | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 |
| Cash flow from operating activities | | | | | |
| Profit before tax | | 57,182 | 115,615 | 54,696 | 28,879 |
| Adjustment for: | | | | | |
| Amortisation of intangible asset | | 9 | - | - | - |
| Bad debts written off | | 183 | 12 | - | - |
| Depreciation of property, plant and equipment | | 17,369 | 20,690 | - | - |
| Deposit written off | | 4 | 2 | - | - |
| Dividend income | | - | - | (56,350) | (30,800) |
| Net impairment loss on other investment | | 356 | - | - | - |
| Net impairment (gain)/loss on trade receivables | | (1,112) | 5,499 | - | - |
| Interest expenses | | 16,175 | 19,387 | 198 | 507 |
| Inventories written down | | 579 | 16,577 | - | - |
| Inventories written off | | 5,555 | 9,447 | - | - |
| Impairment loss on goodwill | | 14,369 | 4,846 | - | - |
| Property, plant and equipment written off | | 421 | 1,600 | - | - |
| Gain on disposal of property, plant and equipment and assets held for sale | | (642) | (2,538) | - | - |
| Gain on lease remeasurement | | (1,051) | (4) | - | - |
| Gain on struck off of a subsidiary | | - | (12) | - | - |
| Unrealised loss/(gain) on foreign exchange, net | | 1,108 | (862) | - | - |
| Finance income | | (1,044) | (1,215) | (266) | (763) |
| Operating profit/(loss) before working capital changes | | 109,461 | 189,044 | (1,722) | (2,177) |

Statements of Cash Flows

for the financial year ended 31 December 2023

cont'd

| | Group | | Company | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| | 1.1.2023 to 31.12.2023 | 1.9.2021 to 31.12.2022 | 1.1.2023 to 31.12.2023 | 1.9.2021 to 31.12.2022 |
| Note | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash flow from operating activities (cont'd) | | | | |
| Change in working capital: | | | | |
| Inventories | 92,895 | (174,893) | - | - |
| Trade receivables | 66,724 | 2,581 | - | - |
| Other receivables | 3,967 | (3,161) | (4) | 597 |
| Contract assets | (4,638) | 146 | - | - |
| Amount due from related companies | (340) | - | - | - |
| Amount due from related parties | (9) | - | - | - |
| Trade payables | (46,874) | 58,322 | - | - |
| Other payables | (9,110) | (16,827) | (364) | 448 |
| Contract liabilities | 362 | 138 | - | - |
| Amount due to related companies | 32 | - | - | - |
| Amount due to related parties | 23 | - | - | - |
| | 103,032 | (133,694) | (368) | 1,045 |
| Cash generated from/(used in) operations | 212,493 | 55,350 | (2,090) | (1,132) |
| Interest received | 902 | 1,215 | 266 | 763 |
| Interest paid | (16,175) | (19,387) | (198) | (507) |
| Tax refund | 996 | 408 | 10 | - |
| Tax paid | (11,916) | (8,426) | (66) | (205) |
| | (26,193) | (26,190) | 12 | 51 |
| Net cash generated from/ (used in) operating activities | 186,300 | 29,160 | (2,078) | (1,081) |

Statements of Cash Flows

for the financial year ended 31 December 2023

cont'd

| | Note | Group | | Company | |
|--|------|--|--|--|--|
| | | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 |
| Cash flow from investing activities | | | | | |
| Acquisition of a subsidiary, net of cash and cash equivalents acquired | | (13,225) | (74,824) | - | - |
| Acquisition of shares in a subsidiary | | - | (6,292) | (17,550) | (6,292) |
| Dividend received | | - | - | 56,350 | 30,800 |
| Net repayment received from holding company | | - | 31,431 | - | - |
| Net repayment received from related companies | | - | 5,001 | - | - |
| Placement of other investment | | (12,494) | - | - | - |
| Purchase of property, plant and equipment | 5(c) | (7,136) | (8,869) | - | - |
| Proceeds from disposal of property, plant and equipment and assets held for sale | | 1,340 | 52,969 | - | - |
| Uplift of pledged fixed deposits with financial institutions | | 23 | - | - | - |
| Net cash (used in)/generated from investing activities | | (31,492) | (584) | 38,800 | 24,508 |

Statements of Cash Flows

for the financial year ended 31 December 2023

cont'd

| | Note | Group | | Company | |
|--|------|--|--|--|--|
| | | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 |
| Cash flow from financing activities | | | | | |
| Dividend paid | | (54,947) | - | (54,947) | - |
| Drawdown of term loans | | - | 20,000 | - | - |
| Net repayment to related companies | | (17) | (53) | - | - |
| Net repayment to holding company | | (500) | (8,820) | - | - |
| Net repayment to director of a subsidiary company | | (3,330) | - | - | - |
| Net movement of bills payables | | (62,830) | (31,531) | - | - |
| Net movement of revolving credit | | 14,200 | 800 | 15,000 | - |
| Proceeds from exercise of warrants | | - | 5,041 | - | 5,041 |
| Proceeds from issuance of shares | | - | 110,243 | - | 110,243 |
| Repayment of lease liabilities | | (5,048) | (5,128) | - | - |
| Repayment of hire purchase | | (1,156) | (1,101) | - | - |
| Repayment of term loans | | (7,306) | (61,857) | - | (30,423) |
| Net advances from/ (repayment to) subsidiaries | | - | - | 32,850 | (86,565) |
| Net cash (used in)/generated from financing activities | (a) | (120,934) | 27,594 | (7,097) | (1,704) |

Statements of Cash Flows

for the financial year ended 31 December 2023

cont'd

| | Group | | Company | |
|---|--|--|--|--|
| | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 |
| Net increase in cash and cash equivalents | 33,874 | 56,170 | 29,625 | 21,723 |
| Cash and cash equivalents at beginning of the financial year/period | 72,456 | 16,286 | 27,090 | 5,367 |
| Cash and cash equivalents at end of the financial year/period | 106,330 | 72,456 | 56,715 | 27,090 |
| Cash and cash equivalents at the end of the financial year/period comprises: | | | | |
| Fixed deposits with financial institutions | 538 | 403 | - | - |
| Cash and bank balances | 107,754 | 76,089 | 56,715 | 27,090 |
| Bank overdraft | (1,500) | (3,747) | - | - |
| | 106,792 | 72,745 | 56,715 | 27,090 |
| Less: Fixed deposits pledged with financial institutions | - | (20) | - | - |
| Restricted fixed deposits with financial institutions | (462) | (269) | - | - |
| | 106,330 | 72,456 | 56,715 | 27,090 |

Notes to the Financial Statements

31 December 2023

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 No.63 & 64, Jalan Bayu Laut 4/KS09, Kota Bayuemas, 41200 Klang, Selangor.

The registered office of the Company is located at B-21-1, Level 21, Tower B, Northpoint Midvalley City, No.1, Medan Syed Putra Utara, 59200 Kuala Lumpur.

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 Directors regard Hextar Holdings Sdn. Bhd., a Company incorporated in Malaysia as the holding company.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 16 April 2024.

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'000 except when otherwise stated.

Notes to the Financial Statements

31 December 2023

cont'd

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 period, except for the adoption of the following standards and amendments to published standards:

| MFRS (Including the Consequential Amendments) | | Effective Date |
|---|--|----------------|
| MFRS 17 | Insurance Contracts | 1 January 2023 |
| Amendments to MFRS 17 | Insurance Contracts – Initial Application of MFRS 17 and MFRS 9, Financial Instruments | 1 January 2023 |
| Amendments to MFRS 101 | Presentation of Financial Statements – Disclosures 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 |
| Amendments to MFRS 112 | Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |
| Amendments to MFRS 112 | Income Taxes – International Tax Reform – Pillar Two Model Rules (Paragraphs 88B, 88C and 88D) | 1 January 2023 |

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

Amendments to MFRS 101, Presentation of Financial Statements – Disclosures of Accounting Policies

The Group and the Company adopted amendments to MFRS 101, Presentation of Financial Statements and MFRS Practice Statement 2 – Disclosures of Accounting Policies from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Although the amendments did not result in any changes to the Group's and Company's accounting policies, it impacted the accounting policy information disclosed in the financial statements. The material accounting policy information is disclosed in the respective notes to the financial statements where relevant.

Notes to the Financial Statements

31 December 2023

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 Group's and of the Company's financial statements. The Group and 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 7 | Financial Instruments: Disclosures – Supplier Finance Arrangement | 1 January 2024 |
| Amendments to MFRS 16 | Leases – Lease Liability in a Sale and Leaseback | 1 January 2024 |
| Amendments to MFRS 101 | Presentation of Financial Statements – Non-current Liabilities with Covenants | 1 January 2024 |
| Amendments to MFRS 107 | Statement of Cash Flows – Supplier Finance Arrangements | 1 January 2024 |
| Amendments to MFRS 121 | The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability | 1 January 2025 |
| 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The Group and the Company apply the material accounting policy information 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.

Notes to the Financial Statements

31 December 2023

cont'd

3. MATERIAL ACCOUNTING POLICY INFORMATION *(cont'd)*

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

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

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. As disclosed in 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 without involving any non-controlling interest.

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.

Acquisition method

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 instrument 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.

Notes to the Financial Statements

31 December 2023

cont'd

3. MATERIAL ACCOUNTING POLICY INFORMATION *(cont'd)*

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

(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.

(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.

Notes to the Financial Statements

31 December 2023

cont'd

3. MATERIAL ACCOUNTING POLICY INFORMATION *(cont'd)*

(b) Foreign currency translation *(cont'd)*

(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.

(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.

Land and buildings are stated at revalued amount less accumulated depreciation and any impairment losses recognised subsequent to the date of revaluation.

Notes to the Financial Statements

31 December 2023

cont'd

3. MATERIAL ACCOUNTING POLICY INFORMATION *(cont'd)*

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

(i) Recognition and measurement *(cont'd)*

Land and buildings are revalued periodically, at least once in every three to five years. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under revaluation reserve. The surplus shall be recognised in profit or loss to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

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.

(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.

Notes to the Financial Statements

31 December 2023

cont'd

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

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

(iii) Depreciation (cont'd)

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 and other intangible assets

(i) 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 expense and is not subsequently reversed. The policy of recognition and measurement of impairment losses is in accordance with Note 3(l)(i).

(ii) Other intangible assets

Intangible assets, other than goodwill that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Other intangible assets with a finite useful life are amortised from the date that they are available for use. Amortisation is recognised in profit or loss based on straight-line basis over its useful life.

Notes to the Financial Statements

31 December 2023

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3. MATERIAL ACCOUNTING POLICY INFORMATION *(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.

In determining the lease term, the Group and the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

In determining the enforceable period of the lease, the Group and the Company considers the following:

- the broader economics of the contract, and not only contractual termination payments. If either party has an economic incentive not to terminate the lease such that it would incur a penalty on termination that is more than insignificant, the contract is deemed enforceable beyond the date on which the contract can be terminated; and
- whether each of the parties has the right to terminate the lease without permission from the other party with no more than an insignificant penalty. A lease is no longer enforceable only when both parties have such a right. Consequently, if only one party has the right to terminate the lease without permission from the other party with no more than an insignificant penalty, the contract is deemed enforceable beyond the date on which the contract can be terminated by that party.

Notes to the Financial Statements

31 December 2023

cont'd

3. MATERIAL ACCOUNTING POLICY INFORMATION *(cont'd)*

(e) Leases *(cont'd)*

The Group and the Company reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Company and affects whether the Group and the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

The right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis, as follows:

| | |
|---------------------|---|
| Leasehold land | Remaining lease period |
| Leasehold buildings | Remaining lease period up to maximum 50 years |
| Motor vehicles | 4 - 5 years |
| Plant and machinery | 7 years |

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.

Leases where the Group and the Company retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

(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").

Notes to the Financial Statements

31 December 2023

cont'd

3. MATERIAL ACCOUNTING POLICY INFORMATION *(cont'd)*

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

Financial assets measure at amortised cost

Financial assets that are held within a business model whose objective is to hold 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 are recognised, 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, contract assets, amount due from subsidiary companies, amount due from related companies, amount due from related parties, other investment, fixed deposits with financial institutions and cash and bank balances.

Financial assets measure at fair value

Financial assets that are debt instruments are measured at FVTOCI if they are held within a business model whose objective is 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.

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 established.

Notes to the Financial Statements

31 December 2023

cont'd

3. MATERIAL ACCOUNTING POLICY INFORMATION *(cont'd)*

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

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.

Other financial liabilities

The Group's and the Company's other financial liabilities comprise trade and other payables, amount due to a subsidiary company, amount due to related companies, amount due to related parties, lease liabilities, hire purchase payables 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.

Notes to the Financial Statements

31 December 2023

cont'd

3. MATERIAL ACCOUNTING POLICY INFORMATION *(cont'd)*

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

Other financial liabilities *(cont'd)*

Lease liabilities, hire purchase payables 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.

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.

Notes to the Financial Statements

31 December 2023

cont'd

3. MATERIAL ACCOUNTING POLICY INFORMATION *(cont'd)*

(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, pledged deposits and restricted 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.

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.

Notes to the Financial Statements

31 December 2023

cont'd

3. MATERIAL ACCOUNTING POLICY INFORMATION *(cont'd)*

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

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

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

Financial assets other than trade receivables and contract assets

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 assess 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.

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.

Notes to the Financial Statements

31 December 2023

cont'd

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

(l) Impairment of assets (cont'd)

(ii) Financial assets (cont'd)

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.

(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.

Notes to the Financial Statements

31 December 2023

cont'd

3. MATERIAL ACCOUNTING POLICY INFORMATION *(cont'd)*

(n) Employee benefits *(cont'd)*

(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.

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.

Notes to the Financial Statements

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cont'd

3. MATERIAL ACCOUNTING POLICY INFORMATION *(cont'd)*

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

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) Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for works performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

(v) 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.

Notes to the Financial Statements

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cont'd

3. MATERIAL ACCOUNTING POLICY INFORMATION *(cont'd)*

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

(vi) Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

(vii) Interest income

Interest income is recognised on accruals basis using the effective interest method.

(p) Borrowings 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 period, 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.

Notes to the Financial Statements

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3. MATERIAL ACCOUNTING POLICY INFORMATION *(cont'd)*

(q) Income taxes *(cont'd)*

(ii) Deferred tax *(cont'd)*

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.

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 assets is the right to consideration for goods or services transferred to the customers. Contract assets is the excess of cumulative revenue earned over the billings to date. 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 assets. The policy for the recognition and measure of impairment losses is in accordance with Note 3(l)(ii) to the financial statements.

Contract liabilities is the obligation to transfer goods or services to customer for which the Group has received the consideration or have billed the customer. Contract liabilities is the excess of the billings to date over the cumulative revenue earned. Contract liabilities include advance payment and downpayments received from customers and other amounts where the Group has billed before the goods are delivered or services are provided to the customers.

Notes to the Financial Statements

31 December 2023

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3. MATERIAL ACCOUNTING POLICY INFORMATION *(cont'd)*

(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.

(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 Company 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 Company 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) 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.

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 indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

Notes to the Financial Statements

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3. MATERIAL ACCOUNTING POLICY INFORMATION *(cont'd)*

(x) 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.

(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.

Notes to the Financial Statements

31 December 2023

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(cont'd)*

(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.

(f) Classification of non-current bank borrowings

Bank facilities agreements entered into by the Group include clauses for repayment on demand at the discretion of financial institutions. The Group believes that in the absence of a default being committed by the Group, these financial institutions are not entitled to exercise their right to demand for repayment. Accordingly, the carrying amount of loans at reporting date have been classified between current and non-current liabilities based on their repayment period.

(g) Determining the lease term where the Group acts as a lessee

In determining the lease term and assessing the length of the non-cancellable period of a lease, the Group applies the definition of a contract and determines the period for which the contract is enforceable. The Group also considers whether the lessee and lessor each has the right to terminate the lease without the permission from the other party with no more than an insignificant penalty, in determining the lease term. In determining a penalty, the Group assesses monetary and non-monetary considerations.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

The determination of the lease term is a significant judgment as it will directly affect the recognition of a lease as a short-term lease or a right-of-use asset with a corresponding lease liability.

Notes to the Financial Statements

31 December 2023

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(cont'd)*

(h) Leases – estimating the incremental borrowing rate

The Group uses its incremental borrowing rate (“IBR”) to measure lease liabilities as the interest rate implicit in the lease is not readily determinable. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs, such as market interest rates when available and is required to make certain entity-specific estimates.

(i) Useful lives of other intangible assets

The Group estimates the useful lives to amortise other intangible assets based on the future performance of the assets acquired and management’s judgement of the period over which economic benefits will be derived from the assets. The estimated useful lives of other intangible assets are reviewed periodically, taking into consideration factors such as changes in technology. The amount and timing of recorded expenses for any period would be affected by changes in the estimates.

(j) Purchase price allocation arising from acquisition of subsidiaries

During the financial year, the Group completed the acquisition of POMSB and HMTSB. The Group assessed the fair value of the identified assets acquired and liabilities assumed on the acquisition date via a purchase price allocation exercise.

Accordingly, the Group has recognised intangible assets relating to customer relationship of RM439,438 with corresponding deferred tax liabilities of RM105,465 and goodwill of RM7,881,535 in relation to the acquisition of POMSB and HMTSB.

Notes to the Financial Statements

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5. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold land and buildings | Leasehold land and buildings | Furniture and fittings | Motor vehicles | Office equipment | Plant and machinery | Renovation | Tools and equipment | Capital work in progress | Mould and blocks | Total |
|------------------------------|-----------------------------|------------------------------|------------------------|----------------|------------------|---------------------|------------|---------------------|--------------------------|------------------|----------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cost/valuation | | | | | | | | | | | |
| At 1 January 2023 | 1,821 | 211,800 | 2,821 | 12,784 | 4,798 | 94,303 | 1,794 | 6,003 | 2,333 | 708 | 339,165 |
| Acquisition of subsidiaries | 790 | 963 | 836 | 2,756 | 3,709 | 353 | 991 | 444 | - | - | 10,842 |
| Additions | - | 731 | 45 | 2,731 | 195 | 1,450 | 61 | 2,684 | 570 | - | 8,467 |
| Remeasurement | - | (24,554) | - | - | - | - | - | - | - | - | (24,554) |
| Disposals | - | (29) | - | (821) | (12) | (1,035) | - | (2) | - | - | (1,899) |
| Written off | - | - | (2) | - | (37) | (328) | (388) | (2) | - | - | (757) |
| Reclassification | - | 2,180 | - | - | - | (170) | - | 377 | (2,387) | - | - |
| Transferred from inventories | - | - | - | 22 | - | 570 | - | 128 | - | - | 720 |
| At 31 December 2023 | 2,611 | 191,091 | 3,700 | 17,472 | 8,653 | 95,143 | 2,458 | 9,632 | 516 | 708 | 331,984 |

Notes to the Financial Statements

31 December 2023

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| 5. PROPERTY, PLANT AND EQUIPMENT (cont'd) | Freehold land and buildings | Leasehold land and buildings | Furniture and fittings | Motor vehicles | Office equipment | Plant and machinery | Renovation | Tools and equipment | Capital work in progress | Mould and blocks | Total |
|---|-----------------------------|------------------------------|------------------------|----------------|------------------|---------------------|------------|---------------------|--------------------------|------------------|---------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Accumulated depreciation | | | | | | | | | | | |
| At 1 January 2023 | 79 | 24,681 | 1,238 | 8,972 | 3,443 | 64,633 | 845 | 2,711 | - | 707 | 107,309 |
| Acquisition of subsidiaries | 140 | 519 | 650 | 2,328 | 2,968 | 225 | 790 | 244 | - | - | 7,864 |
| Charge for the financial year | 14 | 9,664 | 261 | 1,226 | 431 | 5,156 | 144 | 472 | - | 1 | 17,369 |
| Remeasurement | - | (5,081) | - | - | - | - | - | - | - | - | (5,081) |
| Disposals | - | (29) | - | (754) | (3) | (679) | - | (2) | - | - | (1,467) |
| Written off | - | - | (2) | - | (36) | (136) | (161) | (1) | - | - | (336) |
| Transferred from inventories | - | - | - | (63) | - | - | - | - | - | - | (63) |
| At 31 December 2023 | 233 | 29,754 | 2,147 | 11,709 | 6,803 | 69,199 | 1,618 | 3,424 | - | 708 | 125,595 |
| Carrying amount | | | | | | | | | | | |
| At 31 December 2023 | 2,378 | 161,337 | 1,553 | 5,763 | 1,850 | 25,944 | 840 | 6,208 | 516 | - | 206,389 |

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| 5. PROPERTY, PLANT AND EQUIPMENT (cont'd) | Freehold land and buildings | Leasehold land and buildings | Furniture and fittings | Motor vehicles | Office equipment | Plant and machinery | Renovation | Tools and equipment | Capital work in progress | Mould and blocks | Total |
|--|-----------------------------|------------------------------|------------------------|----------------|------------------|---------------------|------------|---------------------|--------------------------|------------------|---------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Accumulated depreciation | | | | | | | | | | | |
| At 1 September 2021 | 62 | 4,982 | 415 | 5,105 | 1,023 | 23,323 | 625 | 1,861 | - | 704 | 38,100 |
| Effect of changes in composition of the group | - | 15,066 | 699 | 3,646 | 2,111 | 36,139 | - | 542 | - | - | 58,203 |
| Charge for the financial period | 17 | 11,095 | 157 | 1,196 | 482 | 7,123 | 220 | 397 | - | 3 | 20,690 |
| Remeasurement | - | (264) | - | - | - | - | - | - | - | - | (264) |
| Disposals | - | (6,709) | (3) | (688) | (108) | (881) | - | (71) | - | - | (8,460) |
| Written off | - | - | (30) | (255) | (65) | (1,071) | - | (18) | - | - | (1,439) |
| Transferred to inventories | - | - | - | (32) | - | - | - | - | - | - | (32) |
| Reclassified to assets classified as held for sale (Note 17) | - | (397) | - | - | - | - | - | - | - | - | (397) |
| Revocation of disposal | - | 908 | - | - | - | - | - | - | - | - | 908 |
| At 31 December 2022 | 79 | 24,681 | 1,238 | 8,972 | 3,443 | 64,633 | 845 | 2,711 | - | 707 | 107,309 |
| Carrying amount | | | | | | | | | | | |
| At 31 December 2022 | 1,742 | 187,119 | 1,583 | 3,812 | 1,355 | 29,670 | 949 | 3,292 | 2,333 | 1 | 231,856 |

Notes to the Financial Statements

31 December 2023

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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'000 | Motor vehicles RM'000 | Plant and machinery RM'000 | Total RM'000 |
|--|--|-----------------------------|----------------------------------|-----------------|
| Group | | | | |
| Cost/valuation | | | | |
| At 1 September 2021 | 37,921 | 854 | 1,258 | 40,033 |
| Effect of changes in composition of the group | 160,737 | 319 | 3,565 | 164,621 |
| Additions | 38,262 | 1,973 | - | 40,235 |
| Revaluation | 10,238 | - | - | 10,238 |
| Remeasurement | 2,315 | - | - | 2,315 |
| Disposals | (48,417) | - | (5) | (48,422) |
| Lease cessation | - | (192) | - | (192) |
| Reclassified to assets held for sale | (9,164) | - | - | (9,164) |
| Revocation of disposal | 19,908 | - | - | 19,908 |
| At 31 December 2022/ 1 January 2023 | 211,800 | 2,954 | 4,818 | 219,572 |
| Acquisition of subsidiaries | 963 | 474 | - | 1,437 |
| Additions | 731 | 668 | - | 1,399 |
| Remeasurement | (24,554) | - | - | (24,554) |
| Disposals | (29) | (118) | - | (147) |
| Reclassification | 2,180 | - | - | 2,180 |
| Lease cessation | - | (329) | - | (329) |
| At 31 December 2023 | 191,091 | 3,649 | 4,818 | 199,558 |

Notes to the Financial Statements

31 December 2023

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5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) Right-of-use assets (cont'd)

The carrying amount of right-of-use assets included in property, plant and equipment are as follows: (cont'd)

| | Leasehold land and buildings RM'000 | Motor vehicles RM'000 | Plant and machinery RM'000 | Total RM'000 |
|---|--|-----------------------------|----------------------------------|-----------------|
| Accumulated depreciation | | | | |
| At 1 September 2021 | 4,982 | 482 | 99 | 5,563 |
| Effect of changes in composition of the group | 15,066 | 69 | 1,287 | 16,422 |
| Charge for the financial period | 11,095 | 448 | 493 | 12,036 |
| Remeasurement | (264) | - | - | (264) |
| Disposals | (6,709) | - | (2) | (6,711) |
| Lease cessation | - | (192) | - | (192) |
| Reclassified to assets held for sale | (397) | - | - | (397) |
| Revocation of disposal | 908 | - | - | 908 |
| At 31 December 2022/ 1 January 2023 | 24,681 | 807 | 1,877 | 27,365 |
| Acquisition of subsidiaries | 519 | 153 | - | 672 |
| Charge for the financial year | 9,664 | 424 | 419 | 10,507 |
| Remeasurement | (5,081) | - | - | (5,081) |
| Disposals | (29) | (84) | - | (113) |
| Lease cessation | - | (254) | - | (254) |
| At 31 December 2023 | 29,754 | 1,046 | 2,296 | 33,096 |
| Carrying amount | | | | |
| At 31 December 2023 | 161,337 | 2,603 | 2,522 | 166,462 |
| At 31 December 2022 | 187,119 | 2,147 | 2,941 | 192,207 |

The Group has motor vehicles and plant and machinery with lease term of 3 to 7 years (2022: 3 to 7 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 RM47,106,089 (2022: RM71,595,051). The leases are mainly with lease term of 2 to 15 years (2022: 2 to 15 years).

Notes to the Financial Statements

31 December 2023

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5. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

(b) Assets pledged as securities to financial institutions

The carrying amount of property, plant and equipment of the Group pledged as securities for bank borrowings as disclosed in Note 23 to the financial statements are:

| | Group | |
|------------------------------|--------|--------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Freehold land and buildings | 650 | - |
| Leasehold land and buildings | 75,555 | 75,706 |
| | 76,205 | 75,706 |

- (c) Additions of property, plant and equipment of the Group during the period were acquired by the following means:

| | Group | |
|---|--------|----------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Addition of property, plant and equipment | 8,467 | 48,887 |
| Less: Lease liabilities | (731) | (38,262) |
| Less: Acquired with hire purchase | (600) | (1,756) |
| Acquired by cash payments | 7,136 | 8,869 |

- (d) Included in leasehold land and buildings is an amount of RM114,230,097 (2022: RM115,522,682) with remaining lease period ranging from 15 to 75 years (2022: 16 to 76 years).
- (e) The carrying amount for land and buildings of the Group was revalued by independent professional valuers as follows:

| | Group | |
|--------------------|---------|---------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Land and buildings | 116,608 | 117,265 |

The valuations are based on comparison and open market value method that makes reference to comparable properties that were transacted within reasonable time frame, close proximity and similar nature of properties.

- (f) The fair value of the revalued land and buildings is categorised as Level 2. There is no transfer between levels of fair value hierarchy during the financial period.

Notes to the Financial Statements

31 December 2023

cont'd

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

- (g) If the revalued land and buildings was measured using the cost model, the carrying amount would be as follows:

| | Group | |
|--------------------------|----------|----------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Cost | 107,938 | 105,222 |
| Accumulated depreciation | (24,539) | (21,891) |
| | 83,399 | 83,331 |

- (h) Included in land and buildings with a carrying amount of RM29,907,326 (2022: RM30,525,819) are yet to be issued individual title of the properties.

6. INVESTMENT IN SUBSIDIARY COMPANIES

| | Company | |
|---|----------|----------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| <u>Unquoted shares, at cost</u> | | |
| At beginning of the financial year/period | 591,586 | 100,002 |
| Additions | 21,051 | 491,792 |
| Written off | - | (208) |
| | 612,637 | 591,586 |
| Less: Accumulated impairment losses | (16,255) | (16,255) |
| At end of the financial year/period | 596,382 | 575,331 |

The movement in the allowance for impairment losses is as follows:

| | Company | |
|---|---------|--------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| At beginning of the financial year/period | 16,255 | 16,463 |
| Written off | - | (208) |
| At end of the financial year/period | 16,255 | 16,255 |

Notes to the Financial Statements

31 December 2023

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6. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

Details of the subsidiary companies are as follows:

| Name of company | Country of incorporation | Effective interest | | Principal activities |
|---|--------------------------|--------------------|-----------|--|
| | | 2023 % | 2022 % | |
| 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 |
| TK Rentals Sdn. Bhd. | Malaysia | 100 | 100 | Business of renting, trading, repair and maintenance of mobile air conditioner, tent, event related equipment and tools, industrial related machinery and industrial battery and provide logistics and delivery services |
| PK Fertilizers (Sarawak) Sdn. Bhd. | Malaysia | 100 | 100 | Business of manufacturing, merchandising, trading, distribution and wholesale warehouseman of fertilizers |
| HIB Management Sdn. Bhd. | Malaysia | 100 | 100 | Business of provision of management services |
| PK Fert Sdn. Bhd. | Malaysia | 100 | 100 | Business of marketing and distribution of fertilizers |

Notes to the Financial Statements

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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 | | Principal activities |
|---|--------------------------|--------------------|------|---|
| | | 2023 | 2022 | |
| | | % | % | |
| Direct interest: | | | | |
| Hextar Fertilizers Limited ("HFL")*#^ | British Virgin Islands | - | 100 | Investment holding |
| Hextar Fertilizers Group Sdn. Bhd. ("HFGSB") | Malaysia | 100 | - | Investment holding |
| Pacific Office (M) Sdn. Bhd.*# | Malaysia | 100 | - | Distribution, retails and online sales of office equipment and supplies, personal protective equipment and supplies, stationery books, magazines and newspapers, rental and operational leasing of office equipment |
| Hextar Mitai Sdn. Bhd.# | Malaysia | 70 | - | Civil engineering contractor and other construction installation |
| 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 | Under members' voluntary winding up |
| 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 December 2023

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 | | Principal activities |
|--|--------------------------|--------------------|-----------|---|
| | | 2023 % | 2022 % | |
| Indirect interest: | | | | |
| Held through Sin Chee Heng | | | | |
| Sin Chee Heng (Sabah) Sdn. Bhd.▪ | Malaysia | 100 | 100 | Under members' voluntary winding up |
| Sin Chee Heng (Sarawak) Sdn. Bhd. ▪ | Malaysia | 100 | 100 | Under members' voluntary winding up |
| Sin Chee Heng (Johore) Sdn. Bhd. | Malaysia | 50 | 50 | Distributing all kinds of quarry products to the quarry industry |
| Indirect interest: | | | | |
| Held through HFL | | | | |
| Hextar Fertilizers Group Sdn. Bhd. ("HFGSB") | Malaysia | - | 100 | Investment holding |
| Indirect interest: | | | | |
| Held through HFGSB | | | | |
| Hextar Fert Sdn. Bhd. | Malaysia | 100 | 100 | Manufacturing, formulation, distribution and trading of a wide range of fertilizers |
| Hextar Solutions Sdn. Bhd. | Malaysia | 100 | 100 | Manufacturing, formulation, distribution and trading of a wide range of fertilizers |
| PK Fertilizers Sdn. Bhd. | Malaysia | 100 | 100 | Manufacturing, formulation, distribution and trading of a wide range of fertilizers |

* Subsidiary companies not audited by ECOVIS MALAYSIA PLT.

This subsidiary is consolidated based on its unaudited management account as at 31 December 2023.

^ The subsidiary had struck off in current financial year.

▪ The Company has commenced a member's voluntary winding up of these subsidiaries on 22 September 2023.

Notes to the Financial Statements

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6. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

(a) Acquisition of a subsidiaries

- i. The Company had completed the acquisition of 100% of the equity interest of Pacific Office (M) Sdn. Bhd. ("POMSB") for a total consideration of RM16,500,000 satisfied by cash on 24 October 2023. The quantum of purchase consideration is subject to POMSB meeting certain criteria and performance level in financial year ended 30 June 2024 to 30 June 2025, as stipulated in the conditional share sale agreement. The total purchase consideration of the acquisition as follows:

| | RM'000 |
|---------------------------------------|--------|
| Cash consideration | 13,000 |
| Fair value of deferred considerations | 3,500 |
| | 16,500 |

The fair value of the identifiable assets and liabilities of POMSB at the date of acquisition were as follows:

| | RM'000 |
|--|---------------|
| Property, plant and equipment | 1,190 |
| Inventories | 6,240 |
| Trade receivables | 8,289 |
| Other receivables | 75 |
| Fixed deposits with financial institution | 76 |
| Cash and bank balances | 3,299 |
| Deferred tax liabilities | (77) |
| Trade payables | (4,100) |
| Other payables | (457) |
| Amount due to Directors | (3,330) |
| Hire purchase payables | (37) |
| Bank borrowings | (2,078) |
| Bank overdraft | (408) |
| Tax payable | (177) |
| Net identifiable assets | 8,505 |
| Goodwill arising from acquisition | 7,662 |
| Identifiable intangible assets (net of deferred tax) | 333 |
| Total purchase consideration | 16,500 |

Notes to the Financial Statements

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6. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

(a) Acquisition of a subsidiaries (cont'd)

- i. The effect of the acquisition on cash flows of the Group is as follows: (cont'd)

| | RM'000 |
|--|---------------|
| Cash consideration (exclude deferred consideration) | 13,000 |
| Less: cash and cash equivalents of subsidiary acquired | (2,967) |
| Net cash inflow from acquisition of subsidiary | <u>10,033</u> |

- ii. The Company had completed the acquisition of 70% of the equity interest of Hextar Mitai Sdn. Bhd. ("HMTSB") for a total consideration of RM4,550,854 satisfied by cash on 15 December 2023. The fair values of the identifiable assets and liabilities of HMTSB at the date of acquisition were as follows:

| | RM'000 |
|---|--------------|
| Property, plant and equipment | 1,788 |
| Trade receivables | 2,119 |
| Other receivables | 459 |
| Contract assets | 5,360 |
| Fixed deposits with financial institution | 186 |
| Cash and bank balances | 1,358 |
| Deferred tax liabilities | (22) |
| Trade payables | (1,243) |
| Other payables | (622) |
| Contract liabilities | (638) |
| Amount due to holding company | (500) |
| Hire purchase payables | (216) |
| Lease liabilities | (470) |
| Bank borrowings | (1,317) |
| Tax payable | (57) |
| Net identifiable assets | <u>6,185</u> |
| Non-controlling interest | (1,856) |
| Provisional goodwill arising from acquisition | 221 |
| Total purchase consideration | <u>4,550</u> |

The effect of the acquisition on cash flows of the Group is as follows:

| | RM'000 |
|--|--------------|
| Cash consideration | 4,550 |
| Less: cash and cash equivalents of subsidiary acquired | (1,358) |
| Net cash inflow from acquisition of subsidiary | <u>3,192</u> |

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6. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

(b) Material non-controlling interest in a subsidiary

| | 2023 RM'000 | 2022 RM'000 |
|---|----------------|----------------|
| NCI percentage of ownership interest and voting interest | 30.00% | - |
| Carrying amount of NCI | 2,028 | - |
| Profit allocated to NCI | 172 | - |

Summarised financial information before intra-group elimination

| | 2023 RM'000 | 2022 RM'000 |
|--|----------------|----------------|
| As at 31 December | | |
| Non-current assets | 1,778 | - |
| Current assets | 13,531 | - |
| Non-current liabilities | (694) | - |
| Current liabilities | (7,856) | - |
| Net assets | 6,759 | - |
| Period from acquisition date to 31 December | | |
| Revenue | 5,102 | - |
| Profit for the period | 575 | - |
| Cash flows generated from operating activities | 227 | - |
| Cash flows generated from investing activities | 51 | - |
| Cash flows used in financing activities | (534) | - |
| Net decrease in cash and cash equivalents | (256) | - |

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7. INTANGIBLE ASSETS

| | Goodwill on consolidation RM'000 | Customer relationship RM'000 | Total RM'000 |
|---|--|------------------------------------|-----------------|
| Group | | | |
| Cost | | | |
| At 1 September 2021/31 December 2022/ 1 January 2023 | 28,818 | - | 28,818 |
| Acquisition of a subsidiary | 7,883 | 439 | 8,322 |
| At 31 December 2023 | 36,701 | 439 | 37,140 |
| Amortisation | | | |
| At 1 September 2021/31 December 2022/ 1 January 2023 | - | - | - |
| Charge for the financial year | - | 9 | 9 |
| At 31 December 2023 | - | 9 | 9 |
| Impairment losses | | | |
| At 1 September 2021 | 9,542 | - | 9,542 |
| Addition | 4,846 | - | 4,846 |
| At 31 December 2022/1 January 2023 | 14,388 | - | 14,388 |
| Addition | 14,369 | - | 14,369 |
| At 31 December 2023 | 28,757 | - | 28,757 |
| Carrying amount | | | |
| At 31 December 2023 | 7,944 | 430 | 8,374 |
| At 31 December 2022 | 14,430 | - | 14,430 |

On 24 October 2023, the Company completed the acquisition of 100% equity interest in POMSB as disclosed in Note 6(a)(i). The acquisition of POMSB resulted in the recognition of intangible assets relating to customer relationship of RM439,438 with corresponding deferred tax liabilities of RM105,465 and goodwill of RM7,660,497.

On 15 December 2023, the Company had completed the acquisition of 70% of the equity interest of HMTSB as disclosed in Note 6(a)(ii). The acquisition of HMTSB resulted in the recognition of goodwill of RM221,038.

Notes to the Financial Statements

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7. INTANGIBLE ASSETS (cont'd)

(a) Goodwill in consolidation

The carrying amount of goodwill allocated to cash-generating unit ("CGU") as follows:

| | 2023 RM'000 | 2022 RM'000 |
|-------------------------------|----------------|----------------|
| Equipment rental segment | - | 14,369 |
| Fertilisers segment | 61 | 61 |
| Office supplies segment | 7,662 | - |
| Engineering solutions segment | 221 | - |
| | 7,944 | 14,430 |

The Group undertakes an annual test for impairment of its cash-generating units ("CGU") consisting of three subsidiaries and an equipment rental segment.

Impairment loss amounted RM14,368,476 (2022: RM4,846,000) was recognised as at 31 December 2023 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 is determined based on the value-in-use ("VIU") calculations. Cash flows are derived from financial budgets approved by the Directors covering over five-year period (2022: five-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:

| | 2023 | 2022 |
|-------------------------------|---|--|
| Revenue growth rate: | | |
| Equipment rental | Range from 0% to 3% for the 5 year-period | Range from 5% to 20% for the 5 year-period |
| Fertilisers | Range from 5% to 10% for the 5 year-period | Range from 5% to 10% for the 5 year-period |
| Office supplies | Range from 5% to 7% for the 5 year-period | - |
| Engineering solutions | Range from -49% to 145% for the 5 year-period | - |
| | 2023 | 2022 |
| Pre-tax discount rate: | | |
| Equipment rental | 18.32% | 14.73% |
| Fertilisers | 5.17% | 9.38% |
| Office supplies | 18.56% | - |
| Engineering solutions | 26.38% | - |

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7. INTANGIBLE ASSETS (cont'd)

(a) Goodwill in consolidation (cont'd)

Sensitivity to change in assumption

The following are sensitivity of the calculation to the changes in significant estimates and assumptions:

Equipment rental segment

- no analysis on sensitivity to be disclosed as the goodwill has fully impaired.

Fertilisers segment

- decrease in 1% of revenue growth rate will result no further impairment; and
- increase in 1% of pre-tax discount rate will result no further impairment.

Office supplies segment

- decrease in 1% of revenue growth rate will result no further impairment; and
- increase in 1% of pre-tax discount rate will result no further impairment.

Engineering solutions segment

- decrease in 1% of revenue growth rate will result no further impairment; and
- increase in 1% of pre-tax discount rate will result no further impairment.

(b) Customer relationship

The acquisition of POMSB resulted in the recognition of the customer relationship of RM439,438. The customer relationship is amortised over nine years.

8. TRADE RECEIVABLES

| | Group | |
|---------------------------|---------|---------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Non-current: | | |
| Trade receivables | 393 | 925 |
| Current: | | |
| Trade receivables | 204,608 | 262,049 |
| Retention sum receivables | 18 | - |
| | 204,626 | 262,049 |
| Less: Impairment loss | (5,122) | (7,795) |
| | 199,504 | 254,254 |
| Total trade receivables | 205,001 | 262,974 |
| Retention sum receivables | 18 | - |
| | 205,019 | 262,974 |
| Less: Impairment loss | (5,122) | (7,795) |
| | 199,897 | 255,179 |

Notes to the Financial Statements

31 December 2023

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8. TRADE RECEIVABLES (cont'd)

Trade receivables are non-interest bearing and are generally on credit term of cash on delivery to 120 days (2022: cash on delivery to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Movement in the allowance for impairment losses of trade receivables is as follows:

| | Group | |
|---|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| At 1 January/ 1 September | 7,795 | 1,870 |
| Acquisition of subsidiaries | 1,661 | - |
| Effect of changes in composition of the group | - | 3,599 |
| Net impairment (gain)/loss during the financial year/period | | |
| - lifetime ECL allowances | (194) | 680 |
| - specific allowances | (918) | 4,819 |
| Written off | (3,222) | (3,173) |
| At 31 December | 5,122 | 7,795 |

| | Group | |
|-------------------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Accumulated impairment losses | | |
| - lifetime ECL allowances | 868 | 1,017 |
| - specific allowances | 4,254 | 6,778 |
| | 5,122 | 7,795 |

(a) Trade receivables on deferred payment terms

The Group has arranged for past due receivables amounting RM925,443 (2022: RM1,676,859) at reporting date to settle their balances under monthly instalment agreement with no interest charged and tenure ranging between 24 to 36 months (2022: 24 to 36 months).

Notes to the Financial Statements

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8. TRADE RECEIVABLES (cont'd)

(a) Trade receivables on deferred payment terms (cont'd)

Analysis of trade receivables on deferred payment terms are as follows:

| | Group | |
|-----------------------------|--------|--------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Nominal value | | |
| At 1 January/ 1 September | 1,677 | 79 |
| Addition | - | 1,812 |
| Repayment | (660) | (214) |
| At 31 December | 1,017 | 1,677 |
| Discount | | |
| At 1 January/ 1 September | 225 | - |
| Add: Accretion of discount | - | 276 |
| Less: Unwinding of discount | (133) | (51) |
| At 31 December | 92 | 225 |
| Net carrying amount | 925 | 1,452 |

(b) Analysis of trade receivables ageing at end of the financial year is as follows:

| | Gross amount | Impairment loss | Carrying amount |
|--------------------|-----------------|--------------------|--------------------|
| | RM'000 | RM'000 | RM'000 |
| 2023 | | | |
| Not past due | 76,908 | (518) | 76,390 |
| <i>Past due</i> | | | |
| Less than 30 days | 40,317 | (95) | 40,222 |
| 31 to 60 days | 23,638 | (179) | 23,459 |
| 61 to 90 days | 20,080 | (2) | 20,078 |
| 91 to 120 days | 11,134 | (168) | 10,966 |
| More than 120 days | 32,942 | (4,160) | 28,782 |
| | 128,111 | (4,604) | 123,507 |
| | 205,019 | (5,122) | 199,897 |

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8. TRADE RECEIVABLES *(cont'd)*

(b) Analysis of trade receivables ageing at end of the financial year is as follows: *(cont'd)*

| | Gross amount RM'000 | Impairment loss RM'000 | Carrying amount RM'000 |
|--------------------|---------------------------|------------------------------|------------------------------|
| 2022 | | | |
| Not past due | 156,904 | (136) | 156,768 |
| <i>Past due</i> | | | |
| Less than 30 days | 33,794 | (586) | 33,208 |
| 31 to 60 days | 25,488 | - | 25,488 |
| 61 to 90 days | 14,303 | (240) | 14,063 |
| 91 to 120 days | 9,265 | (228) | 9,037 |
| More than 120 days | 23,220 | (6,605) | 16,615 |
| | 106,070 | (7,659) | 98,411 |
| | 262,974 | (7,795) | 255,179 |

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

Trade receivables that are past due but not impaired

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.

9. INVENTORIES

| | Group | |
|-------------------------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| At cost/net realisable value | | |
| Raw materials | 108,963 | 169,211 |
| Work in progress | - | 2 |
| Packaging materials | 2,114 | 3,648 |
| Finished goods | 58,107 | 78,391 |
| Consumables | 2,147 | 1,408 |
| Goods in transit | 15,444 | 27,687 |
| | 186,775 | 280,347 |
| Recognised in profit or loss | 689,265 | 972,157 |

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10. OTHER RECEIVABLES

| | Group | | Company | |
|-------------------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Other receivables | 11,865 | 10,376 | 1 | 1 |
| Deposits | 3,047 | 3,116 | 1 | 1 |
| Prepayments | 2,481 | 7,338 | 7 | 3 |
| | 17,393 | 20,830 | 9 | 5 |

Included in other receivables are:

- (a) An amount of RM20,000 (2022: Nil) being bank guarantee given to Tenaga Nasional Berhad;
- (b) An amount of RM81,492 (2022: Nil) being bank guarantee given to the subsidiary's customer.

11. Contract assets/(liabilities)

| | Group | |
|----------------------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Group | | |
| Contract assets | 9,998 | - |
| Contract liabilities | (1,397) | (397) |
| | 8,601 | (397) |
| Arising from: | | |
| Equipment rental (Note (a)) | (725) | (397) |
| Engineering solutions (Note (b)) | 9,326 | - |
| | 8,601 | (397) |

(a) Equipment rental

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 rentals of machinery and equipment's lease term are after the reporting date. Contract liabilities are recognised as revenue when those lease term had end.

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11. Contract assets/(liabilities) (cont'd)

(b) Engineering solutions

Contract assets are transferred to receivables when the rights become unconditional at the point of invoicing to customer. Contract liabilities primarily relate to the obligation to transfer goods or services to customer for which the Group has received the consideration or have billed the customer according to contracts works certified. Contract liabilities are recognised as revenue as the Group performs under the contract.

Movement of contract assets/(liabilities) during the financial year/period:

| | Group RM'000 |
|---|-----------------|
| Contract assets/(contract liabilities) | |
| At 1 September 2021/ 1 January 2023 | - |
| Acquisition of subsidiary | 4,722 |
| Net revenue recognised | 5,102 |
| Net progress billing | (498) |
| At 31 December 2023 | <u>9,326</u> |

Revenue recognised that was included in contract liabilities at the beginning of the financial year are RM397,222 (2022: RM259,245).

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.

12. 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.

13. AMOUNT DUE FROM/(TO) RELATED COMPANIES

| | Group | |
|-----------------------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Amount due from related companies | | |
| - Trade | 340 | - |
| Amount due to related companies | | |
| - Trade | 32 | - |
| - Non-trade | - | 17 |
| | <u>32</u> | <u>17</u> |

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13. AMOUNT DUE FROM/(TO) RELATED COMPANIES *(cont'd)*

Amount due from/(to) related companies are non-interest bearing, unsecured and repayable/(payable) on demand in cash and cash equivalents.

14. AMOUNT DUE FROM/(TO) RELATED PARTIES

| | Group | |
|---------------------------------|--------|--------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Amount due from related parties | | |
| - Trade | 9 | - |
| Amount due to related parties | | |
| - Trade | 23 | - |

Amount due from/(to) related parties are non-interest bearing, unsecured and repayable/(payable) on demand in cash and cash equivalents.

15. OTHER INVESTMENT

| | Group |
|---|--------|
| | 2023 |
| | RM'000 |
| Short-term investment | 12,494 |
| Impairment loss during the financial year | (356) |
| | 12,138 |

The short term investment is placed with issuers that are hosted on a licensed peer-to-peer ("P2P") financing platform registered with Securities Commission Malaysia and bears interest at rates ranging from 11.00% to 12.25% per annum. During the financial year, impairment loss is provided based on the probability of default at average rates ranging from 1.85% to 7.51%.

16. FIXED DEPOSITS WITH FINANCIAL INSTITUTIONS

Fixed deposit of the Group amounting to Nil (2022: RM20,000) has been pledged to guarantee facility granted by financial institution for Tenaga Nasional Berhad.

Fixed deposit of the Group amounting to RM272,100 (2022: RM268,741) being restricted deposit in lieu for letter of offer of Bangkok Bank Berhad.

Fixed deposit of the Group amounting to RM189,956 (2022: Nil) being pledged deposit in lieu for letter of offer of Malayan Banking Berhad.

The interest rates and maturities of the fixed deposits range from 2.50% to 2.80% (2022: 1.25% to 2.50%) per annum and range from 30 days to 365 days (2022: 365 days), respectively.

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17. ASSETS CLASSIFIED AS HELD FOR SALE

| | Group | |
|--|--------|---------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| As at 1 January/ 1 September | 267 | - |
| Reclassified from property, plant and equipment (Note 5) | - | 8,767 |
| Disposal during the year/period | (267) | (8,500) |
| As at 31 December | - | 267 |

During the financial year, the disposal of a leasehold land and building of a subsidiary company, HIB Management Sdn. Bhd. for a total consideration of RM550,000 has been completed.

18. SHARE CAPITAL

| | Group and Company | | | |
|---|------------------------------|--------------|---------|---------|
| | Number of Ordinary Shares | | Amount | |
| | 2023 | 2022 | 2023 | 2022 |
| | Units ('000) | Units ('000) | RM'000 | RM'000 |
| Issued and fully paid | | | | |
| At beginning of the financial year/period | 2,747,342 | 185,973 | 671,443 | 76,159 |
| Issuance of shares: | | | | |
| - rights issue | - | 929,864 | - | 111,584 |
| - acquisition of a subsidiary | - | 1,600,000 | - | 480,000 |
| Exercise of warrants | - | 31,505 | - | 5,041 |
| Share issuance expenses | - | - | - | (1,341) |
| At end of the financial year/ period | 2,747,342 | 2,747,342 | 671,443 | 671,443 |

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.

19. 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.

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20. REVALUATION RESERVE

The revaluation reserve represents revaluation surplus on the property of the Group (net of deferred tax, where applicable) presented under property, plant and equipment. The Group makes an annual transfer of the revaluation reserve to retained earnings on a straight-line method. Upon retirement or disposal of the property, the revaluation reserve is transferred directly to retained earnings.

21. LEASE LIABILITIES

| | Group | |
|-------------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Current liabilities | 4,195 | 5,977 |
| Non-current liabilities | 45,948 | 68,538 |
| | 50,143 | 74,515 |

The maturity analysis of lease liabilities as follows:-

| | Group | |
|--|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Minimum lease payments | | |
| Within one year | 6,490 | 8,981 |
| Later than one year and not later than two years | 5,840 | 8,771 |
| Later than two years and not later than five years | 16,534 | 23,026 |
| Later than five years | 37,036 | 58,086 |
| | 65,900 | 98,864 |
| Less: Future finance charges | (15,757) | (24,349) |
| Present value of minimum lease payments | 50,143 | 74,515 |
| Present value of minimum lease payments | | |
| Within one year | 4,195 | 5,977 |
| Later than one year and not later than two years | 3,592 | 5,629 |
| Later than two years and not later than five years | 11,080 | 15,048 |
| Later than five years | 31,276 | 47,861 |
| | 50,143 | 74,515 |
| Analysed as: | | |
| Repayable within twelve months | 4,195 | 5,977 |
| Repayable after twelve months | 45,948 | 68,538 |
| | 50,143 | 74,515 |

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21. LEASE LIABILITIES (cont'd)

Lease interest of the Group ranges from 3.19% to 5.05% (2022: 3.19% to 5.00%) per annum.

The following are the amounts recognised in profit or loss:

| | Group | |
|--|----------|----------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Depreciation expenses of right-of-use assets | 9,664 | 11,095 |
| Interest expense on lease liabilities | 3,134 | 3,787 |
| Expenses relating to short-term leases | 5,312 | 7,906 |
| Total amount recognised in profit or loss | 18,110 | 22,788 |
| Total cash outflows for leases (including short-term leases) | (13,494) | (13,034) |

22. HIRE PURCHASE PAYABLES

| | Group | |
|-------------------------|--------|--------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Current liabilities | 1,277 | 1,143 |
| Non-current liabilities | 2,273 | 2,710 |
| | 3,550 | 3,853 |

The maturity analysis of hire purchase payables as follows:

| | Group | |
|--|--------|--------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Minimum lease payments | | |
| Within one year | 1,412 | 1,300 |
| Later than one year and not later than two years | 1,891 | 1,240 |
| Later than two years and not later than five years | 516 | 1,675 |
| | 3,819 | 4,215 |
| Less: Future finance charges | (269) | (362) |
| Present value of minimum lease payments | 3,550 | 3,853 |

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22. HIRE PURCHASE PAYABLES (cont'd)

The maturity analysis of hire purchase payables as follows: (cont'd)

| | Group | |
|--|--------|--------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Present value of minimum lease payments | | |
| Within one year | 1,277 | 1,143 |
| Later than one year and not later than two years | 1,775 | 1,125 |
| Later than two years and not later than five years | 498 | 1,585 |
| | 3,550 | 3,853 |
| Analysed as: | | |
| Repayable within twelve months | 1,277 | 1,143 |
| Repayable after twelve months | 2,273 | 2,710 |
| | 3,550 | 3,853 |

Hire purchase interest of the Group ranges from 1.77% to 3.71% (2022: 2.07% to 6.98%) per annum.

Certain hire purchase payables of the Group are secured by corporate guarantee of the company.

The following are the amounts recognised in profit or loss:

| | Group | |
|--|---------|---------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Depreciation expenses of right-of-use assets | 843 | 941 |
| Interest expense on hire purchase | 164 | 213 |
| Total amount recognised in profit or loss | 1,007 | 1,154 |
| Total cash outflows for hire purchase | (1,320) | (1,101) |

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23. BANK BORROWINGS

| | Group | | Company | |
|---------------------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Secured | | | | |
| Bills payable | 139,081 | 199,449 | - | - |
| Bank overdraft | 1,500 | 3,747 | - | - |
| Revolving Credit | 27,000 | 12,800 | 15,000 | - |
| Term loans | 48,741 | 55,114 | - | - |
| | 216,322 | 271,110 | 15,000 | - |
| Analysed as: | | | | |
| Current | | | | |
| Bills payable | 139,081 | 199,449 | - | - |
| Bank overdraft | 1,500 | 3,747 | - | - |
| Revolving Credit | 27,000 | 12,800 | 15,000 | - |
| Term loans | 7,865 | 7,322 | - | - |
| | 175,446 | 223,318 | 15,000 | - |
| Non-current | | | | |
| Term loans | 40,876 | 47,792 | - | - |
| | 216,322 | 271,110 | 15,000 | - |

The bank borrowings are secured by the following:

- Legal charge over certain leasehold land and buildings of the Group as disclosed in Note 5 to the financial statements;
- Corporate guarantee by the Company and subsidiary companies, PK Fert Sdn. Bhd. and PK Fertilizers (Sarawak) Sdn. Bhd.;
- Corporate guarantee by a related party of a subsidiary company, Pacific Office (M) Sdn. Bhd.;
- Joint and several guarantee of Directors of a subsidiary company, Pacific Office (M) Sdn. Bhd.;
- Negative pledge over all present and future assets of the Group;
- Fixed deposits as disclosed in Note 16 to the financial statements;

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23. BANK BORROWINGS (cont'd)

The bank borrowings are secured by the following: (cont'd)

- (g) Legal charge over leasehold land and buildings of a related party of a subsidiary company, Pacific Office (M) Sdn. Bhd.; and
- (h) Guarantee coverage up to 80% of the loan by Syarikat Jaminan Pembiayaan Perniagaan Berhad ("SJPP") under the Covid-19 Special Relief Facility Scheme ("SRF").

Maturity of bank borrowings is as follows:

| | Group | | Company | |
|----------------------------|---------|---------|---------|--------|
| | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Within one year | 175,446 | 223,318 | 15,000 | - |
| Between one and two years | 7,929 | 7,260 | - | - |
| Between two and five years | 8,139 | 24,340 | - | - |
| After five years | 24,808 | 16,192 | - | - |
| | 40,876 | 47,792 | - | - |

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 | |
|------------------|-------------|-------------|---------|------|
| | 2023 | 2022 | 2023 | 2022 |
| | % | % | % | % |
| Bills payable | 1.25 - 7.28 | 2.90 - 6.72 | - | - |
| Bank overdraft | 7.35 | 7.45 - 8.64 | - | - |
| Revolving credit | 5.31 - 6.49 | 4.53 - 5.58 | 6.49 | - |
| Term loans | 3.50 - 6.28 | 3.84 - 5.73 | - | - |

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24. DEFERRED TAX LIABILITIES

| | Group | |
|---|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| At 1 January/ 1 September | 22,671 | 6,540 |
| Effect of changes in composition of the group | - | 14,897 |
| Acquisition of subsidiaries | 205 | - |
| Recognised in profit or loss (Note 32) | 2,830 | 2,662 |
| Arising from revaluation of properties | - | 2,513 |
| Charged to revaluation reserve | - | (3,941) |
| At 31 December | 25,706 | 22,671 |

The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follow:

| | Group | |
|--------------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Deferred tax liabilities | 25,801 | 26,252 |
| Deferred tax assets | (95) | (3,581) |
| | 25,706 | 22,671 |

The components and movement of deferred tax liabilities and assets are as follows:

| | Contract liabilities RM'000 | Property, plant and equipment RM'000 | Intangible assets RM'000 | Revaluation reserve RM'000 | Unabsorbed capital allowance and unutilised tax losses | Total RM'000 |
|--|--------------------------------|---|-----------------------------|-------------------------------|--|-----------------|
| | | | | | RM'000 | |
| Group | | | | | | |
| 2023 | | | | | | |
| At 1 January | (95) | 13,359 | - | 12,893 | (3,486) | 22,671 |
| Acquisition of subsidiaries | - | 99 | 106 | - | - | 205 |
| Recognised in profit or loss (Note 32) | - | (337) | (2) | (329) | 3,498 | 2,830 |
| At 31 December | (95) | 13,121 | 104 | 12,564 | 12 | 25,706 |

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24. DEFERRED TAX LIABILITIES (cont'd)

The components and movement of deferred tax liabilities and assets are as follows: (cont'd)

| | Contract liabilities RM'000 | Property, plant and equipment RM'000 | Revaluation reserve RM'000 | Unabsorbed capital allowance and unutilised tax losses RM'000 | Total RM'000 |
|---|--------------------------------|---|-------------------------------|--|-----------------|
| 2022 | | | | | |
| At 1 September | (62) | 6,896 | - | (294) | 6,540 |
| Effect of changes in composition of the group | - | - | 14,897 | - | 14,897 |
| Arising from revaluation reserve | - | - | 2,513 | - | 2,513 |
| Charged to revaluation reserve | - | - | (3,941) | - | (3,941) |
| Recognised in profit or loss (Note 32) | (33) | 6,463 | (576) | (3,192) | 2,662 |
| At 31 December | (95) | 13,359 | 12,893 | (3,486) | 22,671 |

Deferred tax assets have not been recognised in respect of the following temporary differences:

| | Group | |
|-------------------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Unabsorbed capital allowances | 173 | 164 |
| Unused tax losses | 4,282 | 9,323 |
| | 4,455 | 9,487 |

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.

25. TRADE PAYABLES

| | Group | |
|------------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Third parties | 64,084 | 104,695 |
| Retention sum payables | 454 | - |
| | 64,538 | 104,695 |

Credit terms of trade payables of the Group range from 30 to 180 (2022: 30 to 180) days, depending on the term of the contracts.

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26. OTHER PAYABLES

| | Group | | Company | |
|------------------------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Other payables | 12,851 | 19,041 | 71 | - |
| Accruals | 20,488 | 22,288 | 110 | 305 |
| Deposits received | 608 | 649 | - | 239 |
| Deferred consideration | 3,500 | - | 3,500 | - |
| | <u>37,447</u> | <u>41,978</u> | <u>3,681</u> | <u>544</u> |

Deferred consideration payable by the Company amounting to RM3,500,000 (2022: Nil) represents the purchase consideration for acquisition of Pacific Office (M) Sdn. Bhd., which is contingent on certain criteria being met.

27. DERIVATIVE LIABILITIES

| | Group | |
|--|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Derivatives held for trading at fair value through profit or loss | | |
| Forward foreign exchange contracts | | |
| - assets | 73 | 113 |
| - liabilities | (141) | (474) |
| | <u>(68)</u> | <u>(361)</u> |

The Group uses forward foreign exchange contracts to manage foreign currency exposure in import and export of fertilisers and quarrying machineries and products denominated in currencies other than the functional currency of Group entities.

At the end of the reporting period, the settlement dates on open forward contracts range from 1 to 2 months (2022: 1 to 5 months).

Maturities of forward foreign exchange contracts of the Group as at end of the reporting period are as follows:

| Settlement month | Currency to be paid | Amount in foreign currency | Contractual rate | Amount in RM |
|-------------------------|---------------------|----------------------------|------------------|--------------|
| 31 December 2023 | | | | |
| January 2024 | USD | 1,145,048 | 4.627 - 4.671 | 5,319,248 |
| January 2024 | JPY | 2,978,038 | 0.031 - 0.033 | 96,117 |
| February 2024 | USD | 500,000 | 4.614 | 2,307,000 |

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27. DERIVATIVE LIABILITIES (cont'd)

Maturities of forward foreign exchange contracts of the Group as at end of the reporting period are as follows: (cont'd)

| Settlement month | Currency to be paid | Amount in foreign currency | Contractual rate | Amount in RM |
|-------------------------|---------------------|----------------------------|------------------|--------------|
| 31 December 2022 | | | | |
| January 2023 | USD | 3,805,611 | 4.403 - 4.602 | 16,961,462 |
| January 2023 | CNY | 196,275 | 0.640 | 125,616 |
| February 2023 | USD | 496,660 | 4.588 - 4.594 | 2,279,252 |
| March 2023 | USD | 118,800 | 4.587 | 544,936 |

28. REVENUE

| | Group | | Company | |
|--|--|--|--|--|
| | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 |
| Dividend income | - | - | 56,350 | 30,800 |
| Construction contracts | 5,102 | - | - | - |
| Sales of goods | 918,816 | 1,269,380 | - | - |
| Rendering of services | 12,696 | 15,743 | - | - |
| Rental income of machinery and equipment | 372 | 578 | - | - |
| | 936,986 | 1,285,701 | 56,350 | 30,800 |
| Timing of revenue recognition | | | | |
| - at a point in time | 918,816 | 1,269,380 | 56,350 | 30,800 |
| - over time | 18,170 | 16,321 | - | - |
| | 936,986 | 1,285,701 | 56,350 | 30,800 |

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29. FINANCE COSTS

| | Group | | Company | |
|-----------------------|--|--|--|--|
| | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 |
| Interest expenses on: | | | | |
| Bills payable | 9,130 | 10,299 | - | - |
| Bank guarantees | 36 | 69 | - | - |
| Bank overdrafts | 78 | 514 | - | - |
| Lease liabilities | 3,134 | 3,787 | - | - |
| Hire purchase | 164 | 213 | - | - |
| Term loans | 2,868 | 3,829 | - | 507 |
| Revolving credits | 765 | 676 | 198 | - |
| | 16,175 | 19,387 | 198 | 507 |

30. PROFIT BEFORE TAX

Profit before tax is determined after charging/(crediting) amongst other, the following items:

| | Group | | Company | |
|--|--|--|--|--|
| | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 |
| Amortisation of intangible assets | 9 | - | - | - |
| Auditors' remuneration | | | | |
| - Statutory | | | | |
| ▪ Current year | 448 | 422 | 100 | 90 |
| ▪ Underprovision in prior years | 25 | 20 | 25 | - |
| - Non-statutory audit fee | 162 | 251 | 162 | 251 |
| Bad debts written off | 183 | 12 | - | - |
| Depreciation of property, plant and equipment | 17,369 | 20,690 | - | - |
| Deposit written off | 4 | 2 | - | - |
| Foreign exchange loss/(gain) | | | | |
| - realised | 286 | 4,327 | 1 | 1 |
| - unrealised | 1,108 | (862) | - | - |
| Inventories written down | 579 | 16,577 | - | - |
| Inventories written off | 5,555 | 9,447 | - | - |

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30. PROFIT BEFORE TAX (cont'd)

Profit before tax is determined after charging/(crediting) amongst other, the following items: (cont'd)

| | Group | | Company | |
|---|--|--|--|--|
| | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 |
| Impairment loss of goodwill | 14,369 | 4,846 | - | - |
| Impairment loss on short term investment | 356 | - | - | - |
| Net impairment (gain)/loss on trade receivables: | | | | |
| - lifetime ECL allowance | (194) | 680 | - | - |
| - specific allowance | (918) | 4,819 | - | - |
| Property, plant and equipment written off | 421 | 1,600 | - | - |
| Rental of machinery and equipments* | 2,124 | 2,646 | - | - |
| Rental of motor vehicles* | 269 | 405 | - | - |
| Rental of premises* | 2,919 | 4,855 | - | - |
| Staff cost (excluding Directors' remuneration) | | | | |
| - salaries, wages and allowance | 33,261 | 38,189 | - | - |
| - contribution to defined contribution plan | 2,356 | 2,371 | - | - |
| - Social security contribution | 285 | 288 | - | - |
| - other employee benefits | 1,327 | 1,015 | - | - |
| Finance income: | | | | |
| - unwinding of discount on trade receivables | (133) | (51) | - | - |
| - interest income | (911) | (1,164) | (266) | (763) |
| Gain on disposal of property, plant and equipment | (358) | (2,538) | - | - |
| Gain on disposal of asset held for sale | (284) | - | - | - |
| Gain on lease remeasurement | (1,051) | (4) | - | - |
| Gain on struck off of a subsidiary | - | (12) | - | - |
| Insurance compensation | (479) | (1,201) | - | - |
| Rent concession income | - | (15) | - | - |
| Rental income | (2,358) | (1,637) | - | - |

* The amount represents short-term leases and low value underlying assets under MFRS 16.

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31. DIRECTORS' REMUNERATION

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 1.1.2023 | 1.9.2021 | 1.1.2023 | 1.9.2021 |
| | to | to | to | to |
| | 31.12.2023 | 31.12.2022 | 31.12.2023 | 31.12.2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Directors of the Group and of the Company | | | | |
| Executive: | | | | |
| - Salary and other emoluments* | 3,088 | 1,298 | 9 | 10 |
| - Contribution to defined plan | 273 | 97 | - | - |
| | 3,361 | 1,395 | 9 | 10 |
| Non-executive: | | | | |
| - Fees | 180 | 216 | 180 | 216 |
| - Salary and other emoluments* | 12 | 24 | 12 | 24 |
| | 3,553 | 1,635 | 201 | 250 |

* Other emoluments included SOCSO, allowances, meeting allowance and etc.

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 December 2023 is as follows:

| | Group | | Company | |
|-------------------------|------------------|---------------|------------------|---------------|
| | No. of Directors | | No. of Directors | |
| | Executive | Non-executive | Executive | Non-executive |
| Range of remuneration:- | | | | |
| Below RM50,000 | - | 4 | 2 | 4 |
| RM50,001-RM100,000 | - | 1 | - | 1 |
| RM100,001-RM150,000 | - | - | - | - |
| RM150,001-RM200,000 | - | - | - | - |
| RM200,001-RM250,000 | - | - | - | - |
| RM250,001-RM300,000 | - | - | - | - |
| RM300,001-RM350,000 | - | - | - | - |
| RM350,001-RM400,000 | - | - | - | - |
| RM400,001-RM450,000 | - | - | - | - |
| RM450,001-RM500,000 | - | - | - | - |
| RM500,001-RM550,000 | 1 | - | - | - |
| RM550,001-RM600,000 | - | - | - | - |
| RM600,001-RM650,000 | - | - | - | - |
| RM700,001-RM750,000 | - | - | - | - |
| RM750,001-RM800,000 | - | - | - | - |
| RM800,001-RM850,000 | - | - | - | - |
| RM850,001-RM900,000 | - | - | - | - |
| RM900,001-RM950,000 | - | - | - | - |

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31. 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 December 2023 is as follows: (cont'd)

| | Group | | Company | |
|----------------------------------|------------------|---------------|------------------|---------------|
| | No. of Directors | | No. of Directors | |
| | Executive | Non-executive | Executive | Non-executive |
| Range of remuneration:- (cont'd) | | | | |
| RM950,001-RM1,000,000 | - | - | - | - |
| RM1,000,001-RM1,100,000 | - | - | - | - |
| RM1,100,000-RM1,200,000 | - | - | - | - |
| RM1,200,001-RM1,300,000 | - | - | - | - |
| RM1,300,000-RM1,400,000 | 1 | - | - | - |

32. TAXATION

| | Group | | Company | |
|---|--|--|--|--|
| | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 |
| Tax expense recognised in profit or loss | | | | |
| Current tax: | | | | |
| Malaysian income tax | 13,916 | 14,473 | 64 | 183 |
| Overprovision in prior years | (1,651) | (318) | (2) | - |
| | 12,265 | 14,155 | 62 | 183 |
| Real property gain tax: | | | | |
| Current year | 9 | 358 | - | - |
| Underprovision in prior years | - | 399 | - | - |
| | 9 | 757 | - | - |
| Deferred tax (Note 24): | | | | |
| Current year | 4,082 | 3,630 | - | - |
| Crystallisation of deferred tax liabilities | (329) | (576) | - | - |
| Overprovision in prior years | (923) | (392) | - | - |
| | 2,830 | 2,662 | - | - |
| | 15,104 | 17,574 | 62 | 183 |

Malaysian income tax is calculated at the statutory tax rate of 24% (2022: 24%) of the estimated assessable profit for the financial year/period. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

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32. TAXATION (cont'd)

A reconciliation of income tax expenses applicable to profit 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 | |
|---|--|--|--|--|
| | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 |
| Profit before tax | 57,182 | 115,615 | 54,696 | 28,879 |
| Taxation at statutory tax rate of 24% (2022: 24%) | 13,724 | 27,748 | 13,127 | 6,931 |
| Expenses not deductible for tax purposes | 6,436 | 11,355 | 461 | 434 |
| Income not subject to tax | (684) | (1,110) | (13,524) | (7,182) |
| Deferred tax assets not recognised | 1 | 21 | - | - |
| Crystallisation of deferred tax | (329) | (576) | - | - |
| Utilisation of previously unrecognised tax benefits | (1,479) | (19,911) | - | - |
| Overprovision of deferred tax in prior years | (923) | (392) | - | - |
| Overprovision of income tax in prior years | (1,651) | (318) | (2) | - |
| Real property gains tax | 9 | 358 | - | - |
| Underprovision of real property gains tax in prior year | - | 399 | - | - |
| Tax expense for the financial year/period | 15,104 | 17,574 | 62 | 183 |

The Group has estimated unused tax losses and unabsorbed capital allowances of RM172,726 and RM4,282,122 (2022: RM166,540 and RM23,846,865) 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.

Under the current tax legislation in Malaysia, unabsorbed losses from year of assessment ("YA") 2019 onwards can only be carried forward for a maximum period of 10 consecutive YAs. Unabsorbed losses for YA 2019 can be set off against income from any business source for 10 YAs and will be disregarded in YA 2030. Unabsorbed losses accumulated up to YA 2018 can be utilised for another 10 YAs and will be disregarded in YA 2029.

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33. DIVIDEND

| | Group and Company | |
|---|-------------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Dividends recognised as distribution to ordinary shareholders of the Company: | | |
| Interim single-tier dividend of RM0.01 per ordinary share in respect of the financial period ended 31 December 2022 paid on 15 March 2023 | 27,473 | - |
| First interim single-tier dividend of RM0.01 per ordinary share in respect of the financial year ended 31 December 2023 paid on 20 September 2023 | 27,473 | - |
| Second interim single-tier dividend of RM0.01 per ordinary share in respect of the financial year ended 31 December 2023 paid on 15 March 2024 | 27,473 | - |

34. EARNINGS PER SHARE ("EPS")

(a) Basic EPS

The basic EPS are calculated based on the consolidated profit for the financial year/period attributable to the owners of the Company and the weighted average number of ordinary shares in issue during the financial year/period as follows:

| | Group | |
|---|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Profit attributable to owners of the Company (RM'000) | 41,906 | 98,085 |
| Weighted average number of ordinary shares in issue (unit '000) | 2,747,342 | 2,446,731 |
| Diluted earnings per ordinary share (sen) | 1.53 | 4.01 |

(b) Diluted EPS

The Company had no potential ordinary share in issue, thus no calculation on diluted earning per share.

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35. 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 companies, and related parties and key management personnel.

(b) Compensation of key management personnel

Remuneration of key management personnel (inclusive of the Directors' remuneration as disclosed in Note 31 to the financial statements) are as follows:

| | Group | | Company | |
|---|--|--|--|--|
| | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 |
| Key management compensations: | | | | |
| - Salaries, wages, bonus and Directors' fee | 3,661 | 3,293 | 180 | 226 |
| - Defined contribution plan | 330 | 333 | - | - |
| - Other emoluments * | 116 | 181 | 21 | 24 |
| | <u>4,107</u> | <u>3,807</u> | <u>201</u> | <u>250</u> |

* Other emoluments included SOCSO, allowances, meeting allowance and etc.

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35. RELATED PARTY DISCLOSURES (cont'd)

(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 subsidiary companies, related companies and related parties. In addition to the related party balances disclosed in Notes 12, 13 and 14 to the financial statements, the significant related party transactions of the Group and the Company are as follows:

| | Group | | Company | |
|--|--|--|--|--|
| | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 |
| Subsidiary companies | | | | |
| Advances to | - | - | 84,649 | 138,910 |
| Dividend income | - | - | 56,350 | 30,800 |
| Related companies and related parties | | | | |
| Revenue | (1,025) | (7,962) | - | - |
| Purchases | 679 | 11,203 | - | - |
| Management fee paid | 1,560 | 1,945 | - | - |
| Rental of lorry | 258 | 260 | - | - |
| Rental of premises | 7,420 | 8,645 | - | - |
| Storage charges | 581 | - | - | - |
| Transport charges | 54 | 79 | - | - |
| Purchase of assets | 3 | 84 | - | - |

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36. 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:

| | Measured at amortised cost RM'000 | Measured at fair value through profit or loss RM'000 | Total RM'000 |
|--|--|--|-----------------|
| Group | | | |
| 2023 | | | |
| Financial assets | | | |
| Trade receivables | 199,897 | - | 199,897 |
| Other receivables | 14,912 | - | 14,912 |
| Contract assets | 9,998 | - | 9,998 |
| Amount due from related companies | 340 | - | 340 |
| Amount due from related parties | 9 | - | 9 |
| Other investment | 12,138 | - | 12,138 |
| Fixed deposits with financial institutions | 538 | - | 538 |
| Cash and bank balances | 107,754 | - | 107,754 |
| | 345,586 | - | 345,586 |
| Financial liabilities | | | |
| Trade payables | 64,538 | - | 64,538 |
| Other payables | 37,447 | - | 37,447 |
| Amount due to related companies | 32 | - | 32 |
| Amount due to related parties | 23 | - | 23 |
| Derivative liabilities | - | 68 | 68 |
| Lease liabilities | 50,143 | - | 50,143 |
| Hire purchase payables | 3,550 | - | 3,550 |
| Bank borrowings | 216,322 | - | 216,322 |
| | 372,055 | 68 | 372,123 |

Notes to the Financial Statements

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36. FINANCIAL INSTRUMENTS (cont'd)

(a) Classification of financial instruments (cont'd)

| | Measured at amortised cost RM'000 | Measured at fair value through profit or loss RM'000 | Total RM'000 |
|--|--|--|-----------------|
| Group | | | |
| 2022 | | | |
| Financial assets | | | |
| Trade receivables | 255,179 | - | 255,179 |
| Other receivables | 13,492 | - | 13,492 |
| Fixed deposits with financial institutions | 403 | - | 403 |
| Cash and bank balances | 76,089 | - | 76,089 |
| | <u>345,163</u> | <u>-</u> | <u>345,163</u> |
| Financial liabilities | | | |
| Trade payables | 104,695 | - | 104,695 |
| Other payables | 41,978 | - | 41,978 |
| Amount due to related companies | 17 | - | 17 |
| Derivative liabilities | - | 361 | 361 |
| Lease liabilities | 74,515 | - | 74,515 |
| Hire purchase payables | 3,853 | - | 3,853 |
| Bank borrowings | 271,110 | - | 271,110 |
| | <u>496,168</u> | <u>361</u> | <u>496,529</u> |

Notes to the Financial Statements

31 December 2023

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36. FINANCIAL INSTRUMENTS (cont'd)

(a) Classification of financial instruments (cont'd)

| | Measured at amortised cost |
|--------------------------------------|-------------------------------|
| | RM'000 |
| | RM |
| Company | |
| 2023 | |
| Financial assets | |
| Other receivables | 2 |
| Amount due from subsidiary companies | 64,750 |
| Cash and bank balances | 56,715 |
| | <u>121,467</u> |
| Financial liabilities | |
| Other payables | 3,681 |
| Bank borrowings | 15,000 |
| | <u>18,681</u> |
| 2022 | |
| Financial assets | |
| Other receivables | 2 |
| Amount due from subsidiary companies | 97,700 |
| Cash and bank balances | 27,090 |
| | <u>124,792</u> |
| Financial liabilities | |
| Other payables | 544 |
| Amount due to a subsidiary company | 100 |
| | <u>644</u> |

(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.

Notes to the Financial Statements

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36. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Financial risk management objectives and policies *(cont'd)*

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.

(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 and the company's exposure to credit risk arises principally from trade and other receivables, contract assets, fixed deposits with financial institutions, loans and advances to subsidiary companies, related companies, and related parties 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 period represents the Group's and the Company's maximum exposure to credit risk. At the end of the reporting period, there was no indication that any subsidiary company, related company and related party 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 except for the amounts owing by two (2022: one) customer which constituted approximately 20% (2022: 18%) of its trade receivables as at the end of the reporting period.

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 December 2023

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36. 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.

Notes to the Financial Statements

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36. 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, related companies and related parties

The Group and the Company considers loans and advances to subsidiary companies, related companies and related parties have low credit risk. The Group and the Company assumes that there is a significant increase in credit risk when the financial position of the receivables deteriorates significantly. As the Group and the Company are able to determine the timing of payment of the loan and advances to be in default when the receivables are not able to pay when demanded. The Company considers the loan or advances to be credit impaired when:

- the receivables unlikely to repay its loan or advances to the Group and the Company in full;
- the receivables' loan or advance is overdue for more than 365 days; or
- the receivables is continuously loss making and is having a deficit shareholders' fund.

At the end of reporting period, the Group and 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 and the Company minimise 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.

Notes to the Financial Statements

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36. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(i) Credit risk (cont'd)

(e) Financial guarantees contracts

| | Group | | Company | |
|--|--------|--------|---------|---------|
| | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Corporate guarantees given to licensed banks to secure credit facilities granted to the subsidiary companies | - | - | 210,002 | 284,180 |
| Bank guarantee given to licensed bank, suppliers and customers | 3,072 | 3,715 | - | - |
| Letter of credit issued by licensed banks | 4,541 | 8,803 | - | - |
| Bank guarantee given to utilities Company | 413 | 413 | - | - |
| Bank guarantee for port charges | 950 | 210 | - | - |

(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.

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.

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36. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(ii) Liquidity risk (cont'd)

| | On demand or within 1 year | | 1 to 2 years | | 2 to 5 years | | After 5 years | | Total contractual undiscounted cash flows | | Total carrying amount | |
|---------------------------------|----------------------------|--------|--------------|--------|--------------|---------|---------------|--------|---|--------|-----------------------|--------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Group | | | | | | | | | | | | |
| 2023 | | | | | | | | | | | | |
| Financial liabilities | | | | | | | | | | | | |
| Trade payables | 64,538 | - | - | - | - | - | - | - | 64,538 | - | - | 64,538 |
| Other payables | 37,447 | - | - | - | - | - | - | - | 37,447 | - | - | 37,447 |
| Amount due to related companies | 32 | - | - | - | - | - | - | - | 32 | - | - | 32 |
| Amount due to related parties | 23 | - | - | - | - | - | - | - | 23 | - | - | 23 |
| Derivative liabilities | 68 | - | - | - | - | - | - | - | 68 | - | - | 68 |
| Lease liabilities | 6,490 | 5,840 | 16,534 | 37,036 | 65,900 | 50,143 | | | | | | |
| Hire purchase payables | 1,412 | 1,891 | 516 | - | 3,819 | 3,550 | | | | | | |
| Bank borrowings | 177,953 | 10,023 | 23,425 | 14,964 | 226,365 | 216,322 | | | | | | |
| Financial guarantees contracts* | 8,976 | - | - | - | 8,976 | - | | | | | | |
| | 296,939 | 17,754 | 40,475 | 52,000 | 407,168 | 372,123 | | | | | | |

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36. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(ii) Liquidity risk (cont'd)

| Group | On demand | 1 to 2 | 2 to 5 | After 5 | Total | Total |
|---------------------------------|-------------------------------|-----------------|-----------------|-----------------|---|---|
| | or within 1 year RM'000 | years RM'000 | years RM'000 | years RM'000 | contractual undiscounted cash flows RM'000 | contractual undiscounted cash flows RM'000 |
| 2022 | | | | | | |
| Financial liabilities | | | | | | |
| Trade payables | 104,695 | - | - | - | 104,695 | 104,695 |
| Other payables | 41,978 | - | - | - | 41,978 | 41,978 |
| Amount due to related parties | 17 | - | - | - | 17 | 17 |
| Derivative liabilities | 361 | - | - | - | 361 | 361 |
| Lease liabilities | 8,981 | 8,771 | 23,026 | 58,086 | 98,864 | 74,515 |
| Hire purchase payables | 1,300 | 1,240 | 1,675 | - | 4,215 | 3,853 |
| Bank borrowings | 226,082 | 9,700 | 29,183 | 18,764 | 283,729 | 271,110 |
| Financial guarantees contracts* | 13,141 | - | - | - | 13,141 | - |
| | 396,555 | 19,711 | 53,884 | 76,850 | 547,000 | 496,529 |

Notes to the Financial Statements

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36. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(ii) Liquidity risk (cont'd)

| | On demand or within 1 year | | | | 1 to 2 years | | 2 to 5 years | | After 5 years | | Total contractual undiscounted cash flows | Total carrying amount |
|------------------------------------|----------------------------|---|--------|---|--------------|---|--------------|---|---------------|---|---|-----------------------|
| | RM'000 | | RM'000 | | RM'000 | | RM'000 | | RM'000 | | | |
| Company | | | | | | | | | | | | |
| 2023 | | | | | | | | | | | | |
| Financial liabilities | | | | | | | | | | | | |
| Other payables | 3,681 | - | - | - | - | - | - | - | - | - | 3,681 | 3,681 |
| Bank borrowings | 15,000 | - | - | - | - | - | - | - | - | - | 15,000 | 15,000 |
| Financial guarantees contracts* | 210,002 | - | - | - | - | - | - | - | - | - | 210,002 | - |
| | 228,683 | - | - | - | - | - | - | - | - | - | 228,683 | 18,681 |
| 2022 | | | | | | | | | | | | |
| Financial liabilities | | | | | | | | | | | | |
| Other payables | 544 | - | - | - | - | - | - | - | - | - | 544 | 544 |
| Amount due to a subsidiary company | 100 | - | - | - | - | - | - | - | - | - | 100 | 100 |
| Financial guarantees contracts* | 284,180 | - | - | - | - | - | - | - | - | - | 284,180 | - |
| | 284,824 | - | - | - | - | - | - | - | - | - | 284,824 | 644 |

* This has been included for illustration purpose only as the related financial guarantees contracts have not crystallised as at the end of the financial year.

Notes to the Financial Statements

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36. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management objectives and policies (cont'd)

(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 United States Dollar (USD) and Singapore Dollar (SGD). Such exposures are mitigated through bank borrowings denominated in the respective functional currencies.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date are as follows:

| Group | Denominated in | | Total RM'000 |
|----------------------------------|----------------|---------------|-----------------|
| | USD RM'000 | SGD RM'000 | |
| 31 December 2023 | | | |
| Deposits, cash and bank balances | 1,173 | - | 1,173 |
| Trade receivables | 2,126 | 11 | 2,137 |
| Other receivables | 9,417 | - | 9,417 |
| Trade payables | (5,948) | - | (5,948) |
| Derivative liabilities | (69) | - | (69) |
| Bank borrowings | (12,278) | - | (12,278) |
| | (5,579) | 11 | (5,568) |
| 31 December 2022 | | | |
| Deposits, cash and bank balances | 404 | - | 404 |
| Trade receivables | 1,214 | 6 | 1,220 |
| Other receivables | 8,545 | - | 8,545 |
| Trade payables | (52,380) | - | (52,380) |
| Other payables | (202) | (6) | (208) |
| Derivative liabilities | (361) | - | (361) |
| Bank borrowings | (5,622) | - | (5,622) |
| | (48,402) | - | (48,402) |

Notes to the Financial Statements

31 December 2023

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36. 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 RM | 2023 | 2022 |
|-------|----------------------------------|-----------------------------------|-----------------------------------|
| | | Effect on profit before tax | Effect on profit before tax |
| | | RM'000 | RM'000 |
| USD | Strengthened 10% | (558) | (4,840) |
| | Weakened 10% | 558 | 4,840 |
| SGD | Strengthened 10% | 1 | - |
| | Weakened 10% | (1) | - |

- 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 for trading or speculative purposes.

Notes to the Financial Statements

31 December 2023

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36. 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 | |
|--|---------|---------|---------|--------|
| | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Fixed rate instruments | | | | |
| Fixed deposits with financial institutions | 538 | 403 | - | - |
| Lease liabilities | 50,143 | 74,515 | - | - |
| Hire purchase payables | 3,550 | 3,853 | - | - |
| | 54,231 | 78,771 | - | - |
| Variable rate instruments | | | | |
| Bank borrowings | 216,322 | 271,110 | 15,000 | - |

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 RM2,163,220 and RM150,000 (2022: RM2,711,100 and Nil) 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

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36. 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 36 (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

Financial assets carried at fair value are disclosed in Note 36(a) of the financial statements. The fair value of the financial assets at fair value through profit or loss is at level 2. There was no material transfer between Level 1, 2 and 3 during the reporting periods.

37. 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.

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37. CAPITAL MANAGEMENT (cont'd)

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 bank borrowings and hire purchase payables 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 | |
|--|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Hire purchase payables | 3,550 | 3,853 |
| Bank borrowings | 216,322 | 271,110 |
| Less: Cash and cash equivalents (including fixed deposits pledged to financial institutions) | (108,292) | (76,492) |
| Net debts | <u>111,580</u> | <u>198,471</u> |
| Total equity | <u>337,613</u> | <u>350,654</u> |
| Gearing ratio (times) | <u>0.33</u> | <u>0.57</u> |

There were no changes in the Group's approach to capital management during the financial period.

The Group and the Company are not subject to any externally imposed capital requirement.

38. SEGMENT INFORMATION

The Group has three reportable segments as below:

- (a) Fertilisers
- (b) Industrial and consumer
- (c) Investment holding

Notes to the Financial Statements

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38. SEGMENT INFORMATION (cont'd)

For each segment, the management reporting the operating segment results separately and the operating decision maker (i.e. the Group's Managing Director) reviews the results of operating segment at least on a quarterly basis.

| | Fertilisers RM'000 | Industrial and consumer RM'000 | Investment holding RM'000 | Group RM'000 |
|---|-----------------------|--------------------------------------|---------------------------------|-----------------|
| At 31 December 2023 | | | | |
| Revenue | | | | |
| Total revenue | 1,007,326 | 75,279 | 115,675 | 1,198,280 |
| Inter-segment elimination | (141,060) | (4,559) | (115,675) | (261,294) |
| External revenue | 866,266 | 70,720 | - | 936,986 |
| Results | | | | |
| Depreciation of property, plant and equipment | 13,648 | 3,685 | 36 | 17,369 |
| Finance cost | 15,613 | 364 | 198 | 16,175 |
| Finance income | (525) | (226) | (293) | (1,044) |
| Gain on disposal of property, plant and equipments and assets held for sale | (82) | (276) | (284) | (642) |
| Property, plant and equipment written off | 194 | 227 | - | 421 |
| Inventories written down | 487 | 92 | - | 579 |
| Inventories written off | 5,554 | 1 | - | 5,555 |
| Net impairment (gain)/loss on financial assets | (1,037) | 287 | (6) | (756) |
| Segment profit/(loss) | 57,168 | 6,478 | (6,464) | 57,182 |
| Segment assets | 563,853 | 126,969 | 58,982 | 749,804 |
| Segment liabilities | 355,532 | 34,745 | 19,886 | 410,163 |

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38. SEGMENT INFORMATION (cont'd)

| | Fertilisers RM'000 | Industrial and consumer RM'000 | Investment holding RM'000 | Group RM'000 |
|---|-----------------------|--------------------------------------|---------------------------------|-----------------|
| At 31 December 2022 | | | | |
| Revenue | | | | |
| Total revenue | 1,473,738 | 104,555 | 101,100 | 1,679,393 |
| Inter-segment elimination | (275,994) | (16,598) | (101,100) | (393,692) |
| External revenue | 1,197,744 | 87,957 | - | 1,285,701 |
| Results | | | | |
| Depreciation of property, plant and equipment | 16,936 | 3,754 | - | 20,690 |
| Finance cost | 18,509 | 371 | 507 | 19,387 |
| Finance income | (300) | (143) | (772) | (1,215) |
| Gain on disposal of property, plant and equipments and assets held for sale | (2,508) | (30) | - | (2,538) |
| Property, plant and equipment written off | 1,600 | - | - | 1,600 |
| Inventories written down | 16,575 | 2 | - | 16,577 |
| Inventories written off | 9,271 | 176 | - | 9,447 |
| Net impairment loss on financial assets | 1,943 | 3,556 | - | 5,499 |
| Segment profit/(loss) | 116,765 | 6,891 | (8,041) | 115,615 |
| Segment assets | 757,950 | 80,924 | 41,681 | 880,555 |
| Segment liabilities | 516,620 | 12,729 | 552 | 529,901 |

Comparative segment information were restated to reflect the current year presentation, segment "Heavy Equipment" and "Equipment Rental" were combined into "Industrial and consumer" in comparative.

No geographical segmental information are presented as the Group currently operate and derived revenue in Malaysia, the revenue from the foreign customers is immaterial and less than 10% to the Group's revenue.

Notes to the Financial Statements

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38. SEGMENT INFORMATION *(cont'd)*

Major customer

The following is the major customer with revenue equal or more than 10% of the Group's revenue:

| | Revenue | | Segment |
|------------|--|--|-------------|
| | 1.1.2023 to 31.12.2023 RM'000 | 1.9.2021 to 31.12.2022 RM'000 | |
| Customer A | 128,137 | 245,181 | Fertilisers |

39. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- a) On 5 September 2023, the Company had entered into a conditional share sale agreement with Chew Fei Fei, Chew Siau Fong, Tan Tian Goh, Tan Tian Kuan and Tan Tian Sin for the acquisition of 100% equity interest of Pacific Office (M) Sdn Bhd for a total cash consideration of RM16,500,000. The transaction was completed on 24 October 2023.
- b) On 10 November 2023, the Company announced to undertake the proposed transfer of the listing and quotation of the entire issued share capital of the Company from the ACE Market to the Main Market of Bursa Malaysia Securities Berhad ("Proposed Transfer"). On 29 November 2023, the Company announced that the application of the Proposed Transfer has been submitted to Securities Commission. Up to date of report, there is no any material update for the Proposed Transfer.
- c) On 15 December 2023, the Company had entered into a share sale agreement with holding company, Hextar Holdings Sdn. Bhd. for the acquisition of 1,820,000 ordinary shares, representing 70% equity interest of Hextar Mitai Sdn. Bhd. at a total consideration of RM4,550,854 which shall be fully satisfied in cash. On the same date, the acquisition is deemed completed.

40. COMPARATIVES

The comparative figure of the financial statements of the Group and of the Company are made up for a period of 16 months from 1 September 2021 to 31 December 2022, are therefore not comparable.

List of Properties

| No. | Registered owner | Location / Tenure | Description of property / Existing use | Land Area / Built Up Area (sqm) | Date of Acquisition / [Revaluation] | Approximate age of building (Years) | NBV / Group Carrying Amount @ 31 Dec 2023 |
|-----|------------------|--|---|---------------------------------|---|-------------------------------------|---|
| 1 | HSO | Individual title yet to be issued. Presently held under master land title CL 115435946 Lot 33A, POIC Lahad Datu Phase 2, Off Jalan Kilang, 91100 Lahad Datu, Sabah. Leasehold | Industrial Lot Erected with Industrial Buildings | 67,380 | 2007 (Acquisition) 22.11.2021 (Revaluation) RM32,388,000 | 17 | 29,907,326 |
| 2 | PKF | Individual title held under Provisional Lease 116282985 MDLD 3790, Batu 4, Jalan Tengah Nipah, 91111 Lahad Datu, Sabah. Leasehold | Land erected with fertiliser warehouses and ancillary buildings | 53,300 | 1959 (Acquisition) 29.01.2021 (Revaluation) RM28,000,000 | 64 | 27,842,231 |
| 3 | SCH | Individual title held under industrial H.S.(M) 13156, PT 23677, Mukim Cheras, Tempat Cheras Jaya, Daerah Hulu Langat, Negeri Selangor Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan Leasehold | 4 storey building with offices and warehouse | 8,510 | 2015 (Construction completed) 06.07.2022 (Revaluation) RM21,250,000 | 8 | 20,698,598 |
| 4 | PKFS | Title held under held No. Lot 4061 Block 26 Kemena Land District Lot 4061, Kidurong Light Industrial Estate (KLIE), Jalan Kidurong, 97000 Bintulu, Sarawak. Leasehold | Single-storey detached industrial warehouse | 16,302 | 1998 (Acquisition) 13.05.2022 (Revaluation) RM19,200,000" | 25 | 17,804,969 |
| 5 | PKF | Individual title held under GRN 489953, Lot 66247, Mukim Plentong, Daerah Johor Bahru, Negeri Johor. Lot 117, Jalan Pukal, Kawasan Perindustrian Lembaga Pelabuhan Johor, 81700 Pasir Gudang, Johor Darul Takzim. Leasehold | Leasehold industrial land erected upon with a Single Storey Detached Factory with Mezzanine Floor | 23,119 | 1990 (Acquisition) 20.05.2021 (Revaluation) RM19,000,000 | 33 | 17,109,074 |

List of Properties

cont'd

| No. | Registered owner | Location / Tenure | Description of property / Existing use | Land Area / Built Up Area (sqm) | Date of Acquisition / [Revaluation] | Approximate age of building (Years) | NBV / Group Carrying Amount @ 31 Dec 2023 |
|--------------|------------------|--|--|---------------------------------|---|-------------------------------------|---|
| 6 | SJB | 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 Freehold | Single-storey clustered factory with mezzanine floor | 863 | 2016 (Acquisition) 07.07.2022 (Revaluation) RM1,750,000 | 7 | 1,729,887 |
| 7 | SME | Master title held under Parent Lot 594, Block 238, Kuching North Land District, Sarawak. Sublot No. 10, Wismacon Industrial Park, 8 ½ Mile, Jalan Batu Kitang. 93250 Kuching, Sarawak. Leasehold | 2-storey semi-detached industrial building | 681 | 2016 (Acquisition) 07.07.2022 (Revaluation) RM1,100,000 | 7 | 985,935 |
| 8 | HMT | Strata title held under GRN 312352/M1/14/292, Lot 7833, Mukim Bandar Subang Jaya, Daerah Petaling, Negeri Selangor. Unit No. N-13-02, First Subang, Jalan SS15/4G, 47500 Subang Jaya, Selangor. Freehold | 13th floor of a 17-storey retail cum office building | 86 | 2012 (Acquisition) 31.01.2024 (Revaluation) RM650,000 | 11 | 650,000 |
| Total | | | | | | | 116,728,020 |

Statistics of Shareholdings

as at 29 March 2024

SHARE CAPITAL

| | | |
|-------------------------------|---|---------------------------------------|
| Total Number of Issued Shares | : | 2,747,341,623 |
| Class of Shares | : | Ordinary Shares |
| Voting Rights | : | One vote for each ordinary share held |

DISTRIBUTION OF SHAREHOLDINGS AS AT 29 MARCH 2024

| Size of Shareholdings | No. of Shareholders | No. of Shares | Percentage of Shareholdings (%) |
|-------------------------|---------------------|----------------------|---------------------------------|
| 1 to 99 | 469 | 21,138 | 0.000 |
| 100 to 1,000 | 359 | 201,834 | 0.007 |
| 1,001 to 10,000 | 1,656 | 10,145,819 | 0.369 |
| 10,001 to 100,000 | 1,880 | 72,759,554 | 2.648 |
| 100,001 - 137,367,080* | 652 | 1,529,383,081 | 55.667 |
| 137,367,081 and above** | 5 | 1,134,830,197 | 41.306 |
| Total | 5,021 | 2,747,341,623 | 100.000 |

Remark:

* - Less than 5% of Issued Shares

** - 5% and above of Issued Shares

SUBSTANTIAL SHAREHOLDERS AS AT 29 MARCH 2024

| No. | Name of Substantial Shareholder | No. of Shares held | | No. of Shares held | |
|-----|---------------------------------|--------------------|--------|------------------------------|--------|
| | | Direct | % | Indirect | % |
| 1 | Hextar Holdings Sdn Bhd | 1,521,720,997 | 55.389 | - | - |
| 2 | Dato' Ong Choo Meng | 16,432,700 | 0.598 | 1,521,720,997 ^(a) | 55.389 |
| 3 | Dato' Ong Soon Ho | - | - | 1,521,720,997 ^(a) | 55.389 |

Notes

(a) Deemed interest for the shares held by Hextar Holdings Sdn. Bhd. Pursuant to Section 8 of the Companies Act, 2016

Statistics of Shareholdings

as at 29 March 2024

cont'd

DIRECTORS' INTERESTS IN SHARES AS AT 29 MARCH 2024

| No. | Name of Director | No. of Shares held | | No. of Shares held | |
|-----|----------------------------------|--------------------|-------|--------------------|---|
| | | Direct | % | Indirect | % |
| 1 | Dato' Chan Choun Sien | - | - | - | - |
| 2 | Ang Sui Aik, Benny | 100,000 | 0.004 | - | - |
| 3 | Sham Weng Kong, Alex | 1,000,000 | 0.036 | - | - |
| 4 | Ong Tzu Chuen | - | - | - | - |
| 5 | Oon Seow Ling | - | - | - | - |
| 6 | Dato Sri Chee Hong Leong | - | - | - | - |
| 7 | Shahjanaz Binti Datuk Kamaruddin | - | - | - | - |

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 29 MARCH 2024)

| No. | Name of Shareholders | No. of Shares | Percentage of Shareholdings (%) |
|-----|---|---------------|---------------------------------|
| 1 | AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR HEXTAR HOLDINGS SDN.BHD. (BX1213) | 270,000,000 | 9.827 |
| 2 | MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HEXSTAR HOLDINGS SDN. BHD. | 244,830,197 | 8.911 |
| 3 | AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK ISLAMIC BERHAD FOR HEXTAR HOLDINGS SDN BHD | 220,000,000 | 8.007 |
| 4 | KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HEXSTAR HOLDINGS SDN BHD | 215,000,000 | 7.825 |
| 5 | SJ SEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AL RAJHI BANK FOR HEXSTAR HOLDINGS SDN.BHD. | 185,000,000 | 6.733 |
| 6 | AL RAJHI BANKING & INVESTMENT CORPORATION (MALAYSIA) BHD PLEDGED SECURITIES ACCOUNT FOR LEGION MANAGEMENT SDN. BHD. (ACC 1) | 125,000,000 | 4.549 |
| 7 | AL RAJHI BANKING & INVESTMENT CORPORATION (MALAYSIA) BHD PLEDGED SECURITIES ACCOUNT FOR AGILEVEST SDN. BHD. (ACC 2) | 125,000,000 | 4.549 |
| 8 | AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HEXSTAR HOLDINGS SDN BHD (MX3826) | 110,000,000 | 4.003 |
| 9 | MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HEXSTAR HOLDINGS SDN BHD (MGN-OCM0001M) | 100,000,000 | 3.639 |
| 10 | CIMB GROUP NOMINEES (TEMPATAN) SDN BHD PEMBANGUNAN SUMBER MANUSIA BERHAD | 71,428,500 | 2.599 |

Statistics of Shareholdings

as at 29 March 2024

cont'd

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 29 MARCH 2024) (cont'd)

| No. | Name of Shareholders | No. of Shares | Percentage of Shareholdings (%) |
|-----|---|---------------|---------------------------------|
| 11 | AL RAJHI BANKING & INVESTMENT CORPORATION (MALAYSIA) BHD PLEDGED SECURITIES ACCOUNT FOR HEXSTAR HOLDINGS SDN BHD | 66,000,000 | 2.402 |
| 12 | CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR HEXSTAR HOLDINGS SDN. BHD. (M3918A) | 55,000,000 | 2.001 |
| 13 | MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HEXSTAR HOLDINGS SDN BHD | 55,000,000 | 2.001 |
| 14 | MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG AH CHAI | 45,200,000 | 1.645 |
| 15 | MOK YAU CHOY | 33,400,000 | 1.215 |
| 16 | AJIYA BERHAD | 32,251,000 | 1.173 |
| 17 | CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR DESIRAN REALITI SDN. BHD. (MY3933) | 32,116,000 | 1.168 |
| 18 | AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR SIGNATURE INTERNATIONAL BERHAD | 26,494,100 | 0.964 |
| 19 | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' ONG CHOO MENG (6000478) | 16,432,700 | 0.598 |
| 20 | CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHIN HIN GROUP BERHAD (MY4563) | 16,360,200 | 0.595 |
| 21 | AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHU KERD YEE (M01) | 15,993,000 | 0.582 |
| 22 | WONG KIN SENG | 15,911,694 | 0.579 |
| 23 | CHONG YOKE SIM | 14,809,000 | 0.539 |
| 24 | CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHIN HIN GROUP PROPERTY BARHAD (MY4653) | 14,447,500 | 0.525 |
| 25 | AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR LAU KIM SAN (SMART) | 13,735,600 | 0.499 |
| 26 | MOK YAU CHOY | 13,200,000 | 0.480 |
| 27 | AJIYA BERHAD | 13,000,000 | 0.473 |
| 28 | CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR ANDREW TAN JUN SUAN (MY1868) | 12,900,900 | 0.469 |
| 29 | AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LAU KIM SAN (M04) | 11,149,100 | 0.405 |
| 30 | CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHEONG KONG FITT (MY4512) | 10,884,700 | 0.396 |

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twelfth (12th) Annual General Meeting (“AGM”) of Hextar Industries Berhad (“HIB” or “the Company”) will be conducted virtually through live streaming and online remote voting as below:

Day and Date : Tuesday, 21 May 2024

Time : 10:00 a.m.

Broadcast Venue : No. 64, Jalan Bayu Laut 4/KS09,
Kota Bayuemas,
41200 Klang,
Selangor Darul Ehsan, Malaysia

Meeting Platform : online meeting platform via TIH Online website at <https://tjih.online> or <https://tjih.com.my>

for the following purposes:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2023 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 RM350,000.00 for the period from 12th AGM until the conclusion of the 13th AGM of the Company. **Ordinary Resolution 1**
3. To approve the payment of Directors’ benefits of up to RM50,000.00 for the period from 12th AGM until the conclusion of the 13th 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. Ang Sui Aik **Ordinary Resolution 3**
 - ii. Dato Sri Chee Hong Leong **Ordinary Resolution 4**
5. To re-elect the following Directors who are retiring pursuant to Clause 110 of the Company’s Constitution and being eligible, have offered themselves for re-election:
 - i. Oon Seow Ling **Ordinary Resolution 5**
 - ii. Shahjanaz Binti Datuk Kamaruddin **Ordinary Resolution 6**
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 7**

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 8**

“THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to approvals from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and other relevant authorities, where approval is necessary, authority be and is hereby given to the Directors to allot and issue shares in the Company at any time upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares to be issued shall not exceed 10% of the total number of issued shares of the Company or such higher percentage as Bursa Malaysia Securities Berhad allowed for the time being AND THAT such authority shall continue to be in force until the conclusion of the next AGM of the Company.

AND THAT in connection with the above, pursuant to Section 85 of the Companies Act 2016 to be read together with Clause 61 of the Constitution of the Company, the shareholders of the Company do hereby waive their pre-emptive rights over all new shares, options over or grants of new shares or any other convertible securities in the Company and/or any new shares to be issued pursuant to such options, grants or other convertible securities, such new shares when issued, to rank pari passu with existing issued shares in the Company.”

8. **Proposed renewal of authority to purchase of own Shares by the Company (“Proposed Renewal of Share Buy-Back Authority”)** **Ordinary Resolution 9**

“THAT, subject always to the Companies Act 2016, the provisions of the Constitution of the Company, the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

- (i) the aggregate number of shares purchased does not exceed ten per centum (10%) of its total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase;
- (ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall be backed by an equivalent amount of retained profits as at the time of purchase; and
- (iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or to retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends or transfer the shares under an employee share scheme or as purchase consideration.

Notice of Annual General Meeting

cont'd

THAT such authority conferred by this resolution shall commence immediately upon the passing of this resolution until:

- (i) the conclusion of the next AGM of the Company following this AGM at which such resolution was passed at which time the said authority shall lapse unless by an ordinary resolution passed at that Meeting, the authority is renewed, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) the authority is revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever is the earliest.

AND THAT the Board be and is hereby authorised to take such steps to give full effect to the Proposed Renewal of Share Buy-Back Authority with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and/or to do all such acts and things as the Board may deem fit and expedient in the best interest of the Company.”

9. **Proposed new and renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature** **Ordinary Resolution 10**

“THAT subject to the provisions of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, 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 29 April 2024 (“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:-

- (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;

Notice of Annual General Meeting

cont'd

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 ACE Market 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.”

10. 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. 202208000250)
TAN LAY KHOON (MAICSA 7077867/SSM PC No. 202208000544)
LEE KOK PING (MIA 44986/SSM PC No. 202008004407)
 Company Secretaries

Kuala Lumpur
 29 April 2024

Notes

1. *The 12th Annual General Meeting (“AGM”) of the Company will be conducted virtually through live streaming from the broadcast venue at No. 64, Jalan Bayu Laut 4/KS09, Kota Bayuemas, 41200 Klang, Selangor Darul Ehsan, Malaysia and online meeting platform via TIIH Online website at <https://tiah.online> or <https://tiah.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 12th 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 12th 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 12th 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.*

Notice of Annual General Meeting

cont'd

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 12th 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://tjih.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 12th AGM must request his/her proxy to register himself/ herself for the RPV at Tricor's TIIH Online website at <https://tjih.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 12th AGM, the Company shall be requesting a Record of Depositors as at 14 May 2024 and only members whose name appears on such Record of Depositors dated 14 May 2024 shall be entitled to participate and/or vote at the 12th 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 period ended 31 December 2023**

Agenda item no. 1 is meant for discussion only as the provisions of Section 340 of the Companies Act 2016 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.

Notice of Annual General Meeting

cont'd

2. Ordinary Resolutions 1 – Directors' Fees

Pursuant to Section 230(1) of the Companies Act 2016 ("Act"), the fees and any benefits payable to the directors including any compensation for loss of employment of a director or former director of a public company or a listed company and its subsidiaries, shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the Twelfth Annual General Meeting ("12th AGM") on the Directors' fees and benefits.

The Board will seek shareholders' approval at the next AGM in the event the amount of the Directors' fee and benefits are insufficient due to an increase in Board/Board Committee meetings and/or increase in Board size.

For information, the shareholders at the Eleventh (11th) AGM had approved the payment of Directors' fees of up to RM600,000.00 to the Directors of the Company for the period from 11th AGM until the conclusion of the 12th AGM.

3. Ordinary Resolution 2 – Directors' Benefits

The proposed benefits of RM50,000 from the 12th AGM up to the conclusion of the 13th AGM of the Company payable to the Independent Non-Executive Directors comprises meeting allowances.

In the event that the amount proposed is insufficient (due to enlarged Board size and additional number of meetings), approval will be sought at the next Annual General Meeting for the shortfall.

4. Ordinary Resolutions 3, 4, 5 and 6 – Re-election of Directors

Clause 103(1) of the Constitution of the Company provides that one-third of the Directors for the time being or if their number is not three (3) or a multiple of three (3), then the number nearest to one-third shall retire from office and be eligible for re-election provided always that Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.

For the purpose of determining the eligibility of the Director to stand for re-election at this AGM, the Board through its Nomination and Remuneration Committee had assessed the performance and contribution of each of the retiring Director. Based on the results of the respective Directors' performance evaluation conducted, the Board is satisfied with the Directors' performance and the level of contribution to the Board through their knowledge, skills and commitment as well as their abilities to act in the best interest of the Company. In addition, each of the Independent Directors has also provided his/her annual declaration/confirmation of independence.

The retiring Directors, Ang Sui Aik and Dato Sri Chee Hong Leong have abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant Board and Committee meetings.

Clause 110 of the Constitution of the Company provides that any Director appointed during the year shall hold office only until the next following Annual General Meeting and shall then be eligible for re-election.

Ms Oon Seow Ling and Ms Shahjanaz Binti Datuk Kamaruddin, who were appointed on 1 July 2023 and 1 March 2024 respectively are standing for re-election as Directors of the Company at the 12th AGM.

5. Ordinary Resolution 7 – Re-appointment of Auditors

The Audit Committee ("AC") has on 4 April 2024 carried out an assessment of the suitability and independence of the External Auditors, Messrs Ecovis Malaysia PLT ("Ecovis") and was satisfied with the suitability of Ecovis based on the quality of audit, performance, competency, and sufficiency of resources of the external audit team provided to the Group.

Notice of Annual General Meeting

cont'd

The AC in its assessment also found Ecovis to be sufficiently objective and independent. The Board therefore approved the AC's recommendation on the re-appointment of Ecovis as External Auditors of the Company for the financial year ending 31 December 2024 be put forward for the shareholders' approval at the 12th AGM.

6. Ordinary Resolution 8 – Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed Ordinary Resolution 8 if passed, is a renewal of general mandate to empower the Directors to issue and allot shares up to an amount not exceeding 10% of the total number of issued shares of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

The 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 at any time without convening a general meeting as it would be both costs and time consuming to organise a general meeting.

As at the date of this notice, the Company did not issue any new shares pursuant to the general mandate granted to the Directors at the last AGM held on 25 May 2023.

7. Ordinary Resolution 9 – Proposed renewal of authority to purchase of own Shares by the Company

This Ordinary Resolution 9, if passed, will provide the mandate to the Company to buy back its own shares up to a maximum of 10% of the total number of issued shares of the Company pursuant to the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

For further information, please refer to the Circular to Shareholders dated 29 April 2024 which is despatched together with the Company's Annual Report 2023.

8. Ordinary Resolution 10 – Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The Ordinary Resolution 10, 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 29 April 2024 which is despatched together with the Annual Report 2023.

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 12th 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 6 of this Notice.

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**HEXTAR INDUSTRIES 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 [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 Twelfth (12th) Annual General Meeting of the Company which will be conducted virtually through live streaming and online remote voting from the broadcast venue at No 64, Jalan Bayu Laut 4/KS09, Kota Bayuemas, 41200 Klang, Selangor Darul Ehsan, Malaysia through online meeting platform via TIIH Online website at <https://tiah.online> or <https://tiah.com.my> (Domain registration number with MYNIC: D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia on Tuesday, 21 May 2024 at 10:00 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 RM350,000.00 for the period from 12 th AGM until the conclusion of the 13 th AGM of the Company. | | |
| 2. | Ordinary Resolution 2 To approve the payment of Directors' benefits of up to RM50,000.00 for the period from 12 th AGM until the conclusion of the 13 th AGM of the Company. | | |
| 3. | Ordinary Resolution 3 To re-elect Ang Sui Aik 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 Dato Sri Chee Hong Leong 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 Oon Seow Ling who is retiring pursuant to Clause 110 of the Company's Constitution and being eligible, has offered herself for re-election. | | |
| 6. | Ordinary Resolution 6 To re-elect Shahjanaz Binti Datuk Kamaruddin who is retiring pursuant to Clause 110 of the Company's Constitution and being eligible, has offered herself for re-election. | | |
| 7. | Ordinary Resolution 7 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. | | |
| 8. | Ordinary Resolution 8 To approve the authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016. | | |
| 9. | Ordinary Resolution 9 Proposed renewal of authority to purchase of own Shares by the Company. | | |
| 10. | Special Resolution 10 Proposed new and renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature. | | |

(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 _____ 2024

Signature: _____

(If shareholder is a corporation, this form should be executed under seal)

NOTES:

1. The 12th Annual General Meeting (“AGM”) of the Company will be conducted virtually through live streaming from the broadcast venue at No 64, Jalan Bayu Laut 4/KS09, Kota Bayuemas, 41200 Klang, Selangor Darul Ehsan, Malaysia 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 12th 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 12th 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 12th 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 12th 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;

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AFFIX
STAMP

THE SHARE REGISTRAR OF
HEXTAR INDUSTRIES 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

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- 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 12th 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 12th AGM, the Company shall be requesting a Record of Depositors as at 14 May 2024 and only members whose name appears on such Record of Depositors dated 14 May 2024 shall be entitled to participate and/or vote at the 12th AGM or appoint a proxy or proxies to participate and/ or vote on his/her behalf.

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location

Hextar

HEXTAR INDUSTRIES BERHAD 201101044580 (972700-P)

No. 63 & 64, Jalan Bayu Laut 4/KS09, Kota Bayuemas, 41200 Klang, Selangor Darul Ehsan, Malaysia.
Tel: + 603 3003 3333 E-mail: finance.hexind@hextar.com Website: www.hextarindustries.com

