



HEXTAR INDUSTRIES BERHAD

201101044580 (972700-P)



SOLUTIONS
FOR A DYNAMIC WORLD

2022

ANNUAL REPORT



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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

(Appointed w.e.f 30 December 2022)

Executive Director

Ong Tzu Chuen

Non-Independent Non-Executive Director

Dato Sri Chee Hong Leong

Independent Non-Executive Director

Sim Yee Fuan

Independent Non-Executive Director

AUDIT COMMITTEE

Sim Yee Fuan (*Chairman*)

Dato' Chan Choun Sien
(*Member*)

Dato Sri Chee Hong Leong
(*Member*)

RISK MANAGEMENT COMMITTEE

Dato Sri Chee Hong Leong
(*Chairman*)

Dato' Chan Choun Sien
(*Member*)

Sham Weng Kong (*Member*)

REMUNERATION COMMITTEE

Dato' Chan Choun Sien
(*Chairman*)

Sim Yee Fuan (*Member*)

Dato Sri Chee Hong Leong
(*Member*)

NOMINATION COMMITTEE

Dato Sri Chee Hong Leong
(*Chairman*)

Dato' Chan Choun Sien
(*Member*)

Sim Yee Fuan (*Member*)

COMPANY SECRETARIES

Tan Tong Lang
(*MAICSA 7045482 / SSM PC No. 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. : 03-9770 2239

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

PRINCIPAL BANKERS

Al Rajhi Banking & Investment Corporation
Alliance Bank Malaysia Berhad
AmBank (M) Berhad
Ambank Islamic Berhad
Bangkok Bank Berhad
CIMB Islamic Bank Berhad
Hong Leong Bank
Malayan Banking Berhad
Maybank Islamic 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

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad
Ordinary Shares
Stock Name : HEXIND
Stock Code : 0161

WEBSITE

www.hextarindustries.com

INVESTOR RELATIONS

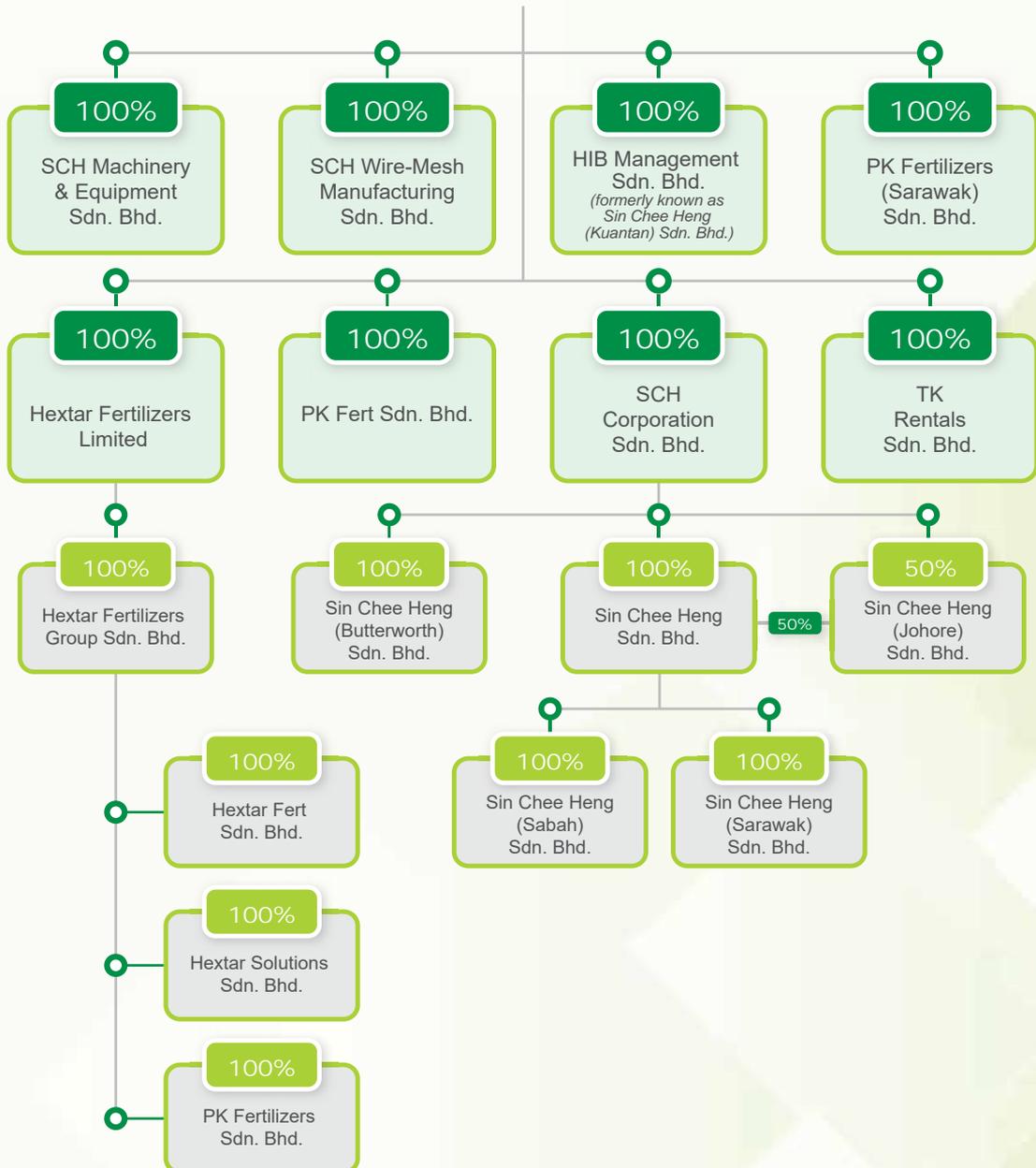
Email : finance.hexind@hextar.com
Tel No. : +603-9082 2681/2781/2881/2981
Fax No. : +603-9082 9697

Corporate Structure



HEXTAR INDUSTRIES BERHAD

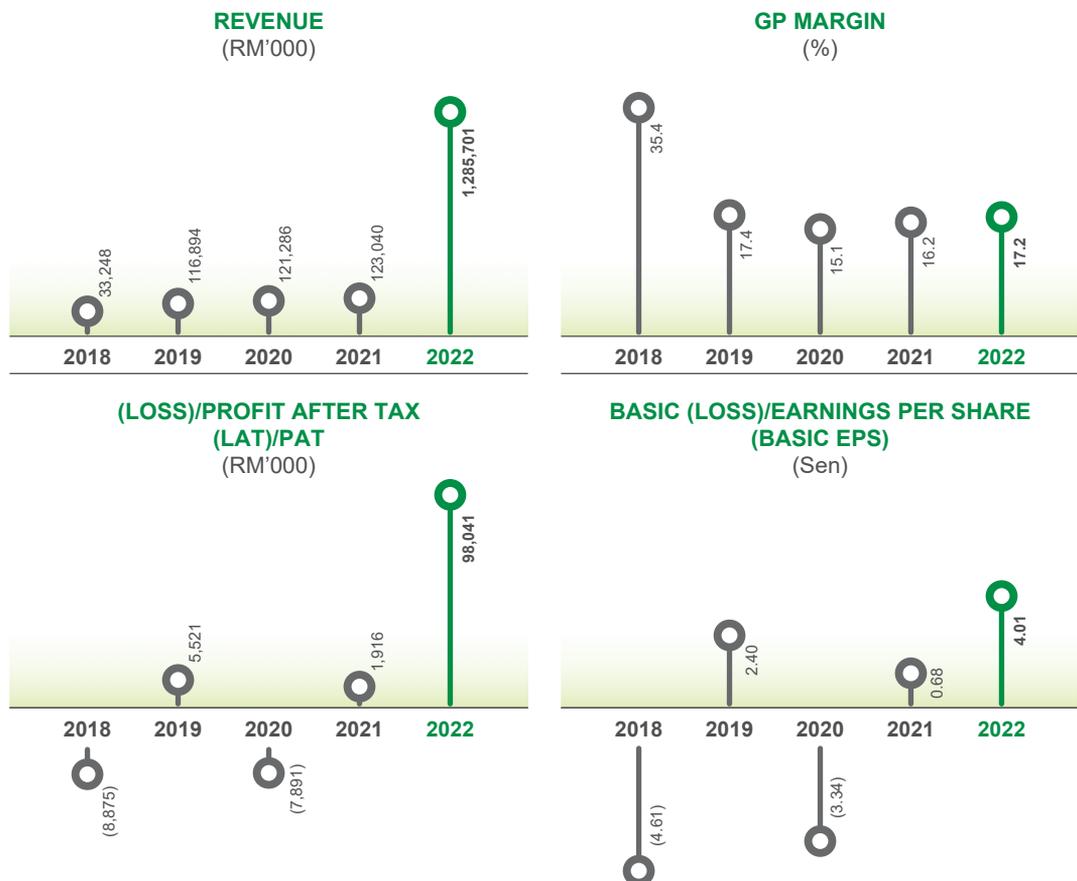
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Financial Highlights

Financial Year/Period Ended		31 August 2018	31 August 2019	31 August 2020	31 August 2021	31 December 2022
		Restated				(16 months)
KEY FINANCIALS						
Revenue	RM'000	33,248	116,894	121,286	123,040	1,285,701
Gross Profit (GP)	RM'000	11,756	20,359	18,361	19,949	221,139
GP Margin	%	35.4	17.4	15.1	16.2	17.2
(Loss)/Profit Before Tax (LBT)/PBT	RM'000	(8,308)	7,219	(7,620)	537	115,615
(LBT)/PBT Margin	%	(25.0)	6.2	(6.3)	0.4	9.0
(Loss)/Profit After Tax (LAT)/PAT	RM'000	(8,875)	5,521	(7,891)	1,916	98,041
(LAT)/PAT Margin	%	(26.7)	4.7	(6.5)	1.6	7.63
Basic (Loss)/Earnings Per Share (Basic EPS)	sen	(4.61)	2.40	(3.34)	0.68	4.01

Table 1: 5 years Financial Highlights



OUR CORE VALUES

● INTEGRITY ● LOYALTY ● HARD WORK ●



Board of Directors



Profile of Directors



DATO' CHAN CHOUN SIEN

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

Aged

52

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 is a member of CPA Australia. He was previously a Managing Director of a leading investment bank with over 24 years of experience in corporate finance, investment banking and private banking covering Southeast Asia.

Currently, he is also an Independent Non-Executive Director for Esthetics International Group Berhad, Tan Chong Motor Holdings Berhad, Hextar Healthcare Berhad and Selangor Dredging Berhad.

He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.

Profile of Directors

cont'd



ANG SUI AIK, BENNY

Group Managing Director

Aged
64

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 agriculture 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 Fertilizer Marketing Sdn Bhd ("Taiko") for 13 years to expand Taiko fertiliser 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 managed to enlarge the production capacity of compaction compound fertilisers for more than 10 times and expanded the customer base in Malaysia as well as overseas market. The last position he held as of December 2020 in Hextar Fertilizers was Group Managing Director.

He does not hold directorships in any other public listed companies. He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.

Profile of Directors

cont'd



SHAM WENG KONG, ALEX

Executive Director

Member of Risk Management Committee

Aged

46

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 more than 20 years of working experience in the fertiliser industry. He started his career as a Sales Executive in a local fertiliser company. In year 2003, he was promoted to Sales Manager and subsequently promoted to General Manager in year 2005, where he was responsible for the entire operations of the fertiliser business. In year 2008, he started Hextar Fertilizers Sdn Bhd on behalf of the Hextar group to manufacture, market and sell fertilisers in the Malaysian market. In year 2010, he was promoted to Marketing Director to further expand the fertilizer business to the export market. In year 2018, he was promoted to Managing Director of Hextar Fertilizers Limited group where he was responsible for managing the fertiliser segment of the group covering Peninsular Malaysia, Sabah and Sarawak as well as the export markets including Indonesia, Vietnam, Myanmar and Thailand. In year 2019, he was appointed as Director of Hextar Solutions Sdn Bhd to oversee its entire operations in Malaysia.

He does not hold directorships in any other public listed companies. He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.

Profile of Directors

cont'd



ONG TZU CHUEN

Non-Independent Non-Executive Director

Aged

39

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 also a Non-Independent Executive Director for KIP REIT Management Sdn. Bhd., the manager for KIP REIT Estate Investment Trust, listed on the Main Market of Bursa Malaysia Securities Berhad. 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 with the Company.

She has not been convicted of any offences within the past five (5) years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.

Profile of Directors

cont'd



DATO SRI CHEE HONG LEONG

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

Aged

58

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 began his career in 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.

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

He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.

Profile of Directors

cont'd



SIM YEE FUAN

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

Aged

56

Nationality

Malaysian

Gender

Male

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

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

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

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

He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.

Key Senior Management



The Management team is headed by the Group Managing Director, Benny Ang, assisted by the Executive Director, Sham Weng Kong.

Key Management Profiles



LEONG HIN KIEAT

Managing Director of PK Fertilizers Group of Companies

Nationality



Age



Gender



Leong Hin Kieat was appointed as the Executive Director of PK Fertilizers (Sarawak) Sdn. Bhd. on 14 September 2005.

He holds a Bachelor's Degree (Hons) in Agricultural Science from University Pertanian Malaysia. With almost 30 years of experience in the fertilizers industry, he has developed expertise in sales, marketing, and operations.

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 with the Company. He has not been convicted of any offences within the past five (5) years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.

Key Management Profiles

cont'd

WONG KIN SENG

Managing Director of Heavy Equipment Division

Nationality



Age

52

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 with the Company. He has not been convicted of any offences within the past five (5) years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.



Key Management Profiles

cont'd



MARTIN LEE

Chief Executive Officer of Equipment Rental Division

Nationality



Age



Gender



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 with the Company. He has not been convicted of any offences within the past five (5) years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.

Key Management Profiles

cont'd

SEAN, LEE KOK PING

Company Secretary & Financial Controller

Nationality



Age

39

Gender

M

Sean was appointed as the Financial Controller on 2 April 2020 and subsequently appointed as the Company Secretary since 11 December 2020.

He is a Chartered Accountant, graduated from the Association of Chartered Accountant (ACCA) in December 2006. Currently, he is the member of Malaysia Institute of Accountants (MIA).

Immediate after his graduation, he began his career in a public listed company in 2007. He has more than 15 years working experience, gained extensive experience and expertise in the financial reporting, treasury management, corporate planning, taxation, corporate finance, fundraising exercises, risk management, internal control, merger and acquisition. He has been engaged in the public listed companies at the managerial role, with the proven track records of more than 10 years.

He does not hold directorships in any other public listed companies. He does not have any family relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.



Chairman's Statement



Dear Shareholders

“ I am honored to present Hextar Industries Berhad's (“HIB” or “the Group”) Annual Report 2022 and the audited financial statements for the financial period ended 31 December 2022 (“FPE2022”). First and foremost, on behalf of the Board of Directors of HIB (“Board”), I would like to extend my gratitude to all of you for your continued support and confidence in our company. ”

BOARD AND LEADERSHIP UPDATES

This year, we saw the resignations of Dato' Ong Choo Meng (“Dato Eddie Ong”) and Wong Kin Seng from our Board.

Dato' Eddie Ong has been instrumental in guiding HIB to achieve important milestones and strengthening our position in the market. We are deeply grateful for his service and the significant positive impact he had made during his tenure. His departure is a loss to our Company, but we are confident that the strong foundation he has helped to build will continue to serve us well in the years ahead.

On the other hand, Wong Kin Seng has taken a more hands-on role as part of the senior executive management team of HIB as he continues to serve as the Managing Director of the Heavy Equipment Division. Kin Seng has been an integral part of our Company's growth and success. We are excited with the contributions he will make in his new leadership role.

On a positive note, I am pleased to welcome Sham Weng Kong (“Alex Sham”), the Managing Director of Hextar Fertilizers Limited (“HFL”) and its subsidiaries (“HFL Group”), who has joined our Board as an Executive Director. He has more than 20 years of working experience in the fertiliser industry. We are delighted to have him on board and look forward to his valuable insights and contributions to our Company's growth and development.

As we move forward, the Board will continue to uphold the standards of competence, integrity, and professionalism. The Board's goal is to have a diverse and inclusive Board, one that brings together individuals from different background, experience and perspectives so that we will have the insights and skills to meet the challenges and opportunities that lie ahead.

Chairman's Statement

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MERGER SYNERGY

HIB issued 1.6 billion of new ordinary shares as the consideration to acquire the HFL Group. The merger had been completed in December 2022. This strategic acquisition marks a significant milestone for the HIB Group, enhancing our competitiveness by gaining immediate access to distribution networks and manufacturing facilities in Peninsular Malaysia, Sabah and deeper into Sarawak. The acquisition also enabled the HIB Group to gain entry into new export markets, expanding our global presence in Indonesia, Taiwan, Thailand, Myanmar, Vietnam, Cambodia, Sri Lanka, Australia, Fiji, Papua New Guinea, Mauritius and Africa.

The merger has not only enhanced the competitiveness of the HIB Group but has also brought in a team of talented and experienced staff from the HFL Group, such as Alex Sham and his management team.

Despite the challenging business and economic environment last year, I am pleased to report that our Group achieved remarkable success in various areas. During FPE2022, HIB's market capitalisation has grown by more than 10 times, from below RM100 million to above RM1.0 billion after the merger with the HFL Group. Moreover, the enlarged HIB recorded its highest ever revenue of RM1.29 billion, profit before tax of RM115.6 million and profit after tax of RM98.0 million. Therefore, the HIB Group is now well-positioned with a stronger financial base and market presence as we move into 2023.

CORPORATE RESPONSIBILITY

In driving the HIB Group's long-term growth, the Board believes that sustainability depends on our ability to strike a balance between fulfilling the sustainability requirements or expectations of our various stakeholders in the context of Environmental, Social and Governance and the financial performance of the Group.

I am pleased to share with you that the Group is committed to meet the target of Net Zero Carbon Emissions by 2050. This goal is aligned with Malaysia's national aspiration in support of the Sustainable Development Goals on Climate Action. As a responsible corporate citizen, we understand the importance of addressing climate change and mitigating our impact on the environment.

As we look forward, we will focus on investing in low-carbon efficient technologies and renewable energy to achieve our Net Zero target. This will be a significant undertaking and one that we are fully committed to. We will continuously report our progress towards meeting this goal in the future.

ACKNOWLEDGEMENT

I would like to take this opportunity to express my sincere gratitude to our management team and employees for their hard work and dedication in contributing to our company's achievements. Your commitment to integrity, excellence and hard work have been crucial in achieving our goals and delivering value to our shareholders and customers.

I would also like to extend my heartfelt thanks to our consultants, advisers or service providers who have played a critical role in the successful completion of our corporate exercises last year.

To my fellow Directors, I wish to express my deep appreciation for their unwavering support and guidance throughout the year. Their invaluable insights and expertise have been instrumental in shaping our strategic direction and driving our success.

Finally, I want to express my appreciation to our shareholders, customers and partners for your continued trust and support. Together, I am confident that we will continue to build on this year's success.

Dato' Chan Choun Sien

Independent Non-Executive Chairman

Sustainability Statement 2022



“ In driving the HIB Group’s long-term growth, the Board believes that sustainability depends on our ability to strike a balance between fulfilling the sustainability requirements or expectations of our various stakeholders in the context of Environmental, Social and Governance and the financial performance of the Group.

The Group is committed to meet the target of Net Zero Carbon Emissions by 2050. This goal is aligned with Malaysia’s national aspiration in support of the Sustainable Development Goals on Climate Action. As a responsible corporate citizen, we understand the importance of addressing climate change and mitigating our impact on the environment. ”

Dato’ Chan Choun Sien
Independent Non-Executive Chairman

The Board of Directors (“Board”) is pleased to present this Sustainability Statement (“Statement”) for the financial period ended 31 December 2022 (“FYE2022”), which illustrates our strategic approaches in achieving industry standard sustainability governance across the Group within the Economic, Environmental, Social and Governance (“EESG”) pillars.

Reporting Scope

This Statement covers the sustainability efforts and performance in Hextar Industries Berhad (“HIB”)’s main operations in Malaysia within the EESG contexts from 1 September 2021 to 31 December 2022, unless otherwise specified.

Wherever applicable, the reporting is based on business segments namely Fertilisers, Heavy Equipment and Equipment Rental.

Reporting Guidelines and Principles

- ACE Market Listing Requirement of Bursa Malaysia Securities Berhad (“Bursa Securities”)
- Bursa Securities Sustainability Reporting Guide 3rd Edition

Commitment

HIB is committed to meeting the target of Net Zero Carbon Emissions by 2050, aligned to Malaysia’s national aspirations and in support of the Sustainable Development Goals (SDGs) on Climate Action.

As we look into the future, we hope to achieve the Net Zero target through investing in low-carbon efficient technologies and renewable energy. We hope to continuously report our progress as an organization towards meeting this goal in the future.

Materiality Assessment

We have reassessed the material matters related to our Group and various stakeholders within the EESG contexts. Please refer to our Material Matters Matrix in this Statement for further details.

Feedback

HIB is dedicated to engage with its stakeholders and welcomes any feedback on the sustainability reporting and performance. Relevant feedbacks, comments or enquiries on this Statement can be directed to www.hextarindustries.com/enquiry/.

Sustainability Statement 2022

cont'd

SUSTAINABILITY GOVERNANCE

We are dedicated to steering the Group forward in a manner that upholds transparency and accountability. To this end, we have embedded sustainability across our operations through best practices and comprehensive frameworks which encompass EESG aspects, towards achieving the sustainability objectives effectively.

Sustainability Governance Structure



The Sustainability Governance Structure is aimed at driving ESG across the Group and, as much as possible, to cascade ESG awareness and consciousness across the value chain. The Sustainability Governance Structure has oversight on all ESG topics deemed material.

Board of Directors

At the top, the Sustainability Governance Structure comprises the Board of Directors (“Board”), which is the main decision-making body for group-wide matters and policies including those pertaining to sustainability. The Board is accountable for scrutinising and approving the overall strategic plan, with attention given to managing sustainability impacts of the Group’s business operations.

The Board acknowledges its role in setting the “tone from the top” and 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 of empowering and advancing HIB’s ESG efforts to ensure that ESG will remain part of corporate strategy and be integrated into the roles and responsibilities of Management and the Board. The Board oversees material sustainability matters in all aspects of climate change which may affect HIB. Actions taken to manage the climate related risk by integrating them into their corporate strategies plans.

Risk Management Committee (RMC)

ESG risks are being identified and included in the Group’s overall risk management approach. Tangible linkages between ESG concerns and issues and their potential impact are being established. This includes energy consumption, waste management, environmental compliance, employee diversity, occupational safety and health etc. ESG risks are progressively embedded into the Group’s risk framework and the potential and actual impacts of material ESG topics will be closely monitored and assessed.

The overall role of the RMC is 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 ESG 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 2022

cont'd

ESG Committee

The ESG committee comprises Senior Management team from relevant divisions including Health & Safety, Human Resources, Finance, Risk & Compliance, chaired by Group Managing Director (Mr. Benny Ang) and assisted by Executive Director (Mr. Alex Sham) as the representatives from the Board Member. The ESG Committee is responsible for the implementation of HIB's sustainability-related policies, measures & actions in achieving sustainability milestones and goals. The ESG committee is responsible for the following:-

- Advising and recommending to the Board the business strategies in the area of sustainability
- Monitoring the implementation of sustainability strategies as approved by the Board
- Recommending to Board the sustainability-related policies for adoption and monitoring the implementation of the policies
- Recommending to the Board for its approval the sustainability matters identified as material
- Managing sustainability matters with particular focus on matters material to the Group
- Overseeing the preparation of sustainability disclosures as required by laws and/or rules and recommending it for the Board's approval

COMMITMENT TO STAKEHOLDER ENGAGEMENT

We remain single-minded in our goal to deliver long-term value for our key stakeholders, who we define as those that influence and have an interest in the Group. 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 apprised of their views and perspectives of our sustainability practices. More so against the backdrop of the post-pandemic, which in its second year continued to cause significant disruptions and challenges, our commitment to stakeholder engagement was crucial in shaping the HIB's sustainability agenda.

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

Stakeholders	Stakeholders' Concerns/Material Matters	Engagement Methods
 <p>Shareholders/ Investors</p>	<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
 <p>Government/ Authorities</p>	<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
 <p>Board</p>	<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

Sustainability Statement 2022

cont'd

Stakeholders	Stakeholders' Concerns/Material Matters	Engagement Methods
 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

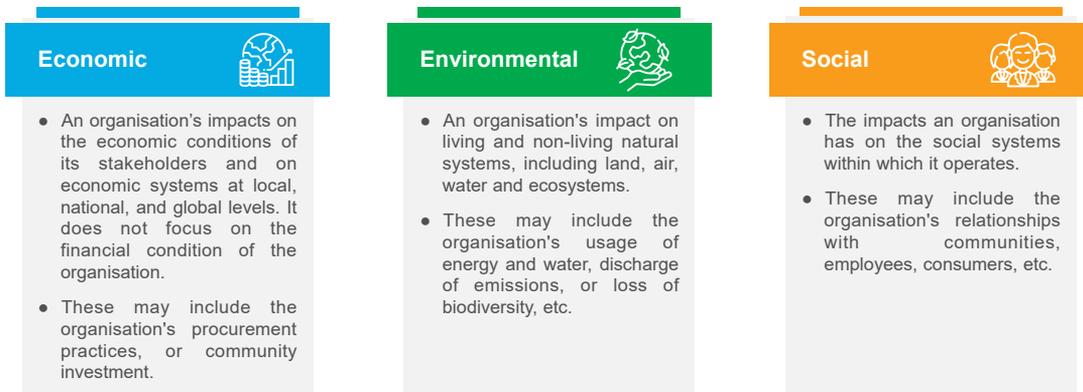
Sustainability Statement 2022

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MATERIALITY ASSESSMENT AND APPROACH

The sustainability is viewed in the context of Economic, Environmental and Social (“EES”) without the governance element. This is because there are already specific and comprehensive disclosure in the Corporate Governance 2022 issued based on the Listing Requirement, as well as the Malaysian Code of Corporate Governance 2012 and the Corporate Governance Guide.

The EES term can be explained as follows:



Guided by the Bursa Malaysia Sustainability Reporting Guide (3rd Edition), our materiality assessment allows us to identify and address relevant sustainability matters that are of greatest priority to the Group and our stakeholders. Material assessment serves as one of our important steps to develop our corporate sustainability strategies by identifying and prioritizing the material sustainability matters which are most relevant to our stakeholders and business operations. We have reassessed our material sustainability matters in view of the everchanging business environment through the materiality assessment approach as follows: -

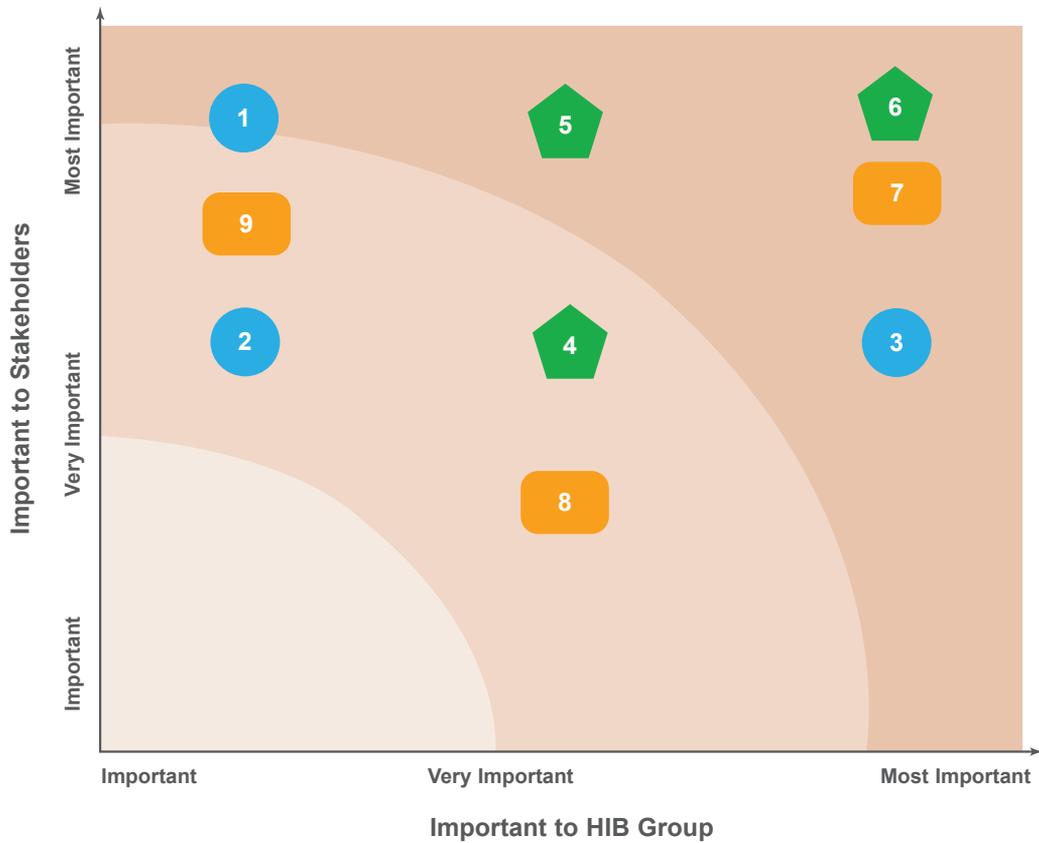


Sustainability Statement 2022

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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.

Following this reassessment exercise, we streamlined the material to 9 material matters. We will continue to monitor existing material matters as reflected in our materiality matrix.



ECONOMIC

- 1 Community Investment
- 2 Supply Chain Management
- 3 Products and Services Quality Assurance

ENVIRONMENTAL

- 4 Energy Efficiency and Consumption
- 5 Waste Management
- 6 Environmental Compliances

SOCIAL

- 7 Occupational Safety and Health
- 8 Employee Welfare, Culture and Development
- 9 Employee Diversity and Equal Opportunity

Sustainability Statement 2022

cont'd

ECONOMIC



COMMUNITY INVESTMENT

HIB actively engaged with local communities in various social programmes or community events. We continued to support various charitable and social causes as part of its commitment in being a responsible corporate citizen.

In November 2021, HIB has continued its philanthropic relationship with Good Samaritan Home (GSH) with its recent donation of 5,000 protection face masks for 40 children & staff of the home. As COVID-19 is still spreading within our community, it is of high importance to be wearing face masks at all times. Through this donation, the children and staffs of GSH received one of the most essential items that will help them stay protected.

In August 2022, HIB had contributed a donation to St. John Ambulance of Malaysia (Kawasan Selangor Selatan). The funds will be used for community service and youth development, which includes its ambulance service and emergency response, mobile clinic for the needy and corporate social responsibility events such as blood donation drive and health screening.

In September 2022, HIB had made a financial contribution to 27th Annual Charity Walk-Jog-Wheel-A-Thon 2022, organised by The Spastic Children's Association of Selangor and Federal Territory. This event is a fun walk with disabled to create public awareness and a platform for the disabled to participate in public events.



Sustainability Statement 2022

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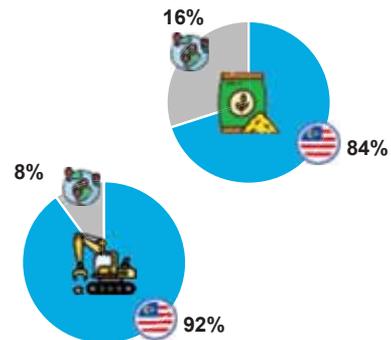
SUPPLY CHAIN MANAGEMENT

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

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

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

Meanwhile, we are putting efforts to support our domestic economy development by sourcing raw materials locally, whenever possible. For our Fertilisers division, we manage our supply chain by sourcing 200 suppliers in the FYE 2022, in which 167 suppliers or 84% are local suppliers and 16% are overseas suppliers. Despite the industry is experiencing global fertilisers supply shortage crisis, we work closely with international fertiliser suppliers to ensure timely delivery of raw materials and to obtain strong pricing support from them.



For our Heavy Equipment division, we engaged 122 suppliers in the FYE 2022, in which 112 suppliers or 92% are local suppliers and only 8% are overseas suppliers.

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

In the past year, we have continued to maintain our strong partnership with our suppliers, SOOSAN CSM Co. Ltd, Alpha-Plus and Robit Plc, which allows us to ensure consistent and high-quality supplies of hydraulic crawler drills, drilling equipment and related spare parts. Additionally, we are proud to have maintained our sole distributorship agreement with suppliers, which has allowed us to build a long-term and sustainable business relationship.

Moving forward, we remain committed to sustainability and will continue to work closely with our suppliers to ensure that our operations align with our sustainability goals.

Sustainability Statement 2022

cont'd

PRODUCTS AND SERVICES QUALITY ASSURANCE

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

For our Fertilisers division, we have a wide range of products suit for various needs of our customers. We have been holding the reputation of high-quality products over 42 years in the fertilisers industry. Our Fertiliser division also has been found to be conforming to the requirements of ISO 9001:2015 in respect of manufacturing fertilisers after examined by assessors from QMS Certification.

Our fertilisers division has established in-house product development, manufacturing, formulating and repacking activities. The brands developed have gained widespread recognition throughout Malaysia. Besides manufacturing compacted compound fertilisers, the Group also produces bulk blends and mixtures of various formulations to suit the needs of various crops and actively involved in the trading of a wide spectrum of straight fertilisers.



In order to create the awareness for its products and establish good relationship with its customers, HIB organised farmer's gathering from time to time as well as provide agriculture advisory services to small and medium size plantations. The Agricultural Advisory and Service team offers our customers professional agronomic advisory and consultation services. These include fertilisers & manuring recommendations and pesticide application. The team also communicate with planters and smallholders to recognise their needs and challenges as well as to offer them solution.



Sustainability Statement 2022

cont'd

PRODUCTS AND SERVICES QUALITY ASSURANCE (cont'd)

For our Heavy Equipment division, we have been serving the quarry industry for more than 39 years and managed to establish a strong branding and reputation by delivering quality products and services in the specialised fields of supplying quarry equipment and machinery, wire mesh and spare parts of reliable brands. We provide warranty for new quarry machinery to enhance customer's confidence and save their hassles within warranty period. In addition, our sales and service team shall provide timely response to customer upon breakdown of their quarry machinery.



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



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

Sustainability Statement 2022

cont'd

ENVIRONMENTAL



ENERGY EFFICIENCY AND CONSUMPTION

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

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

Zero Ozone Depletion Potential

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

Variable Speed Drive

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

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

WASTE MANAGEMENT

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

TARGET 12-5



SUBSTANTIALLY
REDUCE WASTE
GENERATION

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

ENVIRONMENTAL COMPLIANCES

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

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

We are glad to announce that no penalty or fine was imposed by relevant regulatory authorities due to non-compliance to environmental laws and regulations in FYE 2022.

Sustainability Statement 2022

cont'd

SOCIAL



OCCUPATIONAL SAFETY AND HEALTH (“OSH”)

In advocating SDG 3 of ensuring healthy lives for all, our people's health and safety are always within the top priority list of the Group:

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

OSH Committee

Health and Safety Policy

Personal Protective
Equipment Policy

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

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

In addition, we provide safety awareness training to our staff to ensure they are knowledgeable about safety protocols and procedures and advise our employees to avoid initiating any hazards and take prompt action if they recognise any potential hazards that may cause harm to them or their colleagues.

Under our stringent OSH management, only one (1) injury case was accidentally happened during FYE 2022. Moving forward, we will continue to improve further in order to achieve a zero-injury working environment for our employees.

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



Sustainability Statement 2022

cont'd

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

Meanwhile, HIB has also established an Emergency Response Team ("ERT") to cater for any emergencies occurred at workplace. During FYE 2022, our ERT has attended an event organised by the Fire and Rescue Department of Malaysia ("BOMBA"), aimed at refreshing our ERT's emergency response preparedness, as well as increasing their awareness of fire prevention and safety. The event covers several topics such as emergency procedures and evacuation plans. During the event, role-playing exercises were conducted, with some employees acting as victims, to simulate rescue and evacuation scenarios.



Preventive Measures for Covid-19

As we move forward to this year, we are still taking necessary measures to prevent the spread of Covid-19 in our premise/office. While the Health Minister, Khairy Jamaluddin, has announced that the use of face masks indoors will now be optional, we still encourage all employees and visitors to wear face masks while entering our premises/buildings.

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

- ✓ SOP to minimise direct/close contact with other workers.
- ✓ Saliva test kits are provided to employees if experiencing Covid-19 symptoms.
- ✓ Hand sanitisers are prepared at the premises entrances and office lift for the convenience of employees and visitors in line with SDG Target 6.2.
- ✓ Face masks are provided to our employees on daily basis to protect our people.
- ✓ In the fulfillment of SDG Target 3.8, we have also granted vaccine allowance and two-day leaves for all employees in conjunction with the roll out of vaccination program by the Government to encourage for vaccination.
- ✓ Consistently promote awareness on Covid-19 symptom identification, prevention procedures and measures to enhance immunity system by displaying relevant information within the office and warehouse areas.

TARGET 6-2



END OPEN DEFECTION AND PROVIDE ACCESS TO SANITATION AND HYGIENE

TARGET 3-8



ACHIEVE UNIVERSAL HEALTH COVERAGE

Sustainability Statement 2022

cont'd

EMPLOYEE WELFARE, CULTURE AND DEVELOPMENT

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

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

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

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

EMPLOYEES TRAINING PROGRAM

On top of motivational support, we are well aware that training and development are essential for employees to sharpen their skills and enhance their competencies. For new employees, orientation program is rolled out by Human Resources ("HR") Department so that our new joiners can get better understanding of the Group. For existing employees, both external trainings and internal on-job trainings are provided. External training programs are recommended by respective Head of Department in considering the needs of the various employees and their job scopes. The external training programs attended by our employees during FYE 2022 is as follows: -

Training Programme Attended	Date
Implementing ESG Practices in the Organization	February 2022
Essential Fire Fighting	April 2022
HR & Payroll Speed Master Class	April 2022
CP21, CP22, CP22A, TPI & TP3 Submission	April 2022
Certified Environmental Professional in Scrubber Operation	May 2022
Strategy Mapping	May 2022
HR Practitioner Course	May 2022
Share Structure Webinar 9.0	June 2022
Payroll 101 Webinar	July 2022
Shot-Firers	July 2022
Employment Act (1955) & It's Latest Amendments	August 2022

Sustainability Statement 2022

cont'd

EMPLOYEE WELFARE, CULTURE AND DEVELOPMENT (cont'd)

EMPLOYEES TRAINING PROGRAM (cont'd)

Pacesetter In Leadership

As part of Leadership Development Program, HIB organised a two-day leadership training at a Hotel, Klang. It was an opportunity for Hextarian to bring their management skills to the next level. Participants completed a detailed survey to determine their Credo Personality Profile. It was an interactive session that dived into each leader's personality traits, identifying their strengths to incorporate into their management style. Participants were also challenged to think out of the box with team-based strategy games like building a marshmallow tower with spaghetti sticks and a mock plane crash survivor scenario.

It was an impactful two-day leadership training for the future leaders as they took home great values and pearls of wisdom to apply in the workplace.



Sustainability Statement 2022

cont'd

EMPLOYEE WELFARE, CULTURE AND DEVELOPMENT (cont'd)

EMPLOYEES ENGAGEMENT

HIB recognises the importance of employees' engagement as it stimulates bonding amongst management and employees. Throughout FYE2022, we have organised several Group events to engage our employees as follows:

Hextar's Career Fair

In November 2022, HIB has participated in the Karnival Keusahawanan dan Kerjaya Pulau Pinang. HIB being the leader in the fertilisers scene locally, has always been looking out for opportunities to obtain industry insights, and build valuable network connections. We believe that human capital are the key driver of any successful transformation and the sustainability of its outcome. Therefore, we have sent a team of five, aimed to provide information regarding the industry and most importantly encouraging university graduates with an opportunity to gain insights from our HR team and senior management about HIB's operations.



Investing in Our Workplace

As part of our commitment to upholding traditional values and beliefs, we held a 'flaming stove' ceremony to mark the occasion of our fertilisers business moving to a newly renovated office. This ceremony is a traditional Chinese ritual that is believed to bring good luck and success to new ventures by symbolizing energy, warmth, and prosperity.

Our new office provides our employees with more space and creates a more comfortable and efficient workplace. We are proud of this achievement and look forward to continuing to create value for our employees and building a successful future for our business.



Sustainability Statement 2022

cont'd

EMPLOYEE WELFARE, CULTURE AND DEVELOPMENT (cont'd)

EMPLOYEES ENGAGEMENT (cont'd)

Return of the King

It is a feast for eyes and palate for durian lovers when a truck load with the King of Fruits pulled over the sidewalk of HIB Headquarter in Kota Bayuemas, Klang in December 2022. It didn't take long for about 200 Durian lovers in HIB to gobble up 230kg of Musang King, array of colourful tropical fruits such as Rambutan, jackfruits and Mangosteen. To cleanse the palate and from the richness taste of durian, we had Coca Local Malaysia providing fresh diamond shaped pandan coconuts that were freshly prepare on the spot. We could not ask for a better drink to wrap up the delicious durian "buffet" we had!



Spooky Horror Night

50 Hextarians gathered and showed up in their most horrifying costumes as they vie for the prize of RM 200 Touch'n Go voucher treat. A List of spooky and surprising Halloween trivia questions were presented to test the Hextarian knowledge on the history of Halloween. Besides that, "Pong" game was played where the players have to aim for certain cups to win the prize. A group of 10 players who scored the highest points in the Halloween trivia questions and 5 "Pong" game players will walk away with RM 10 Touch'n Go vouchers each. It was a fun and memorable night for the Hextarian.



Sustainability Statement 2022

cont'd

EMPLOYEE WELFARE, CULTURE AND DEVELOPMENT (cont'd)

EMPLOYEES ENGAGEMENT (cont'd)

Paintball War-Game

A break from the hustle and bustle of the city, we had thrilling Paintball Wars which was held at Amverton Cove Golf & Island Resort, where participant battled their heart out to be the last man standing for their respective team. It is a game that the spirit of unity, team work, strategy and leadership are put to test. It was a fun and laughter filled activity with full participation and collaboration among the team members. Most of all, we enjoyed ourselves and every moment together counts!



JCI Leaders Run

On 4 September 2022, our employees participated in the 5km “JCI Leaders Run” held at MAEPS Serdang to get fit together. This event was organised by the Junior Chamber International (“JCI”) Malaysia, a non-profit organisation to enrich young active citizens in Malaysia. Apart from improving our health condition, our intention to join this event was also to support our country’s youth as 100% of the surplus from the said event was donated to the JCI Malaysia Foundation for youth development and community charity purposes.

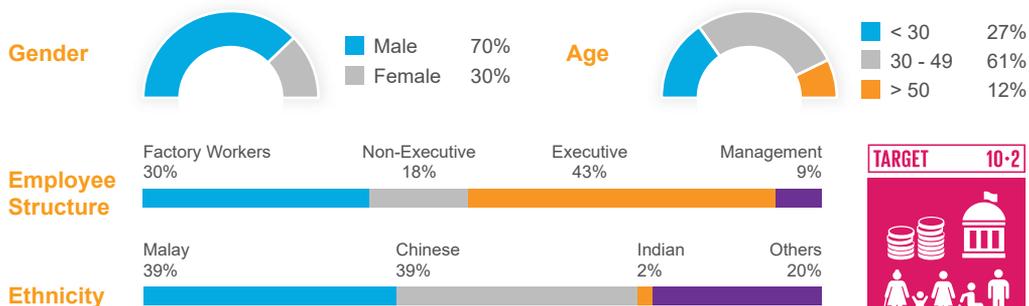


Sustainability Statement 2022

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EMPLOYEE DIVERSITY AND EQUAL OPPORTUNITY

We are cognisance of the importance in having a diverse workforce with a mixture of cultural background, experiences, gender, age group and religion to enhance the creativity, productivity and business growth. As at 31 December 2022, we have a total of 319 employees, as follows: -



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

Sustainability Statement 2022

cont'd

GOVERNANCE

CORPORATE GOVERNANCE AND RISK MANAGEMENT

We are cognisant of the fact that business sustainability goes hand in hand with ethical and transparent business culture and practices. In line with the Malaysian Code on Corporate Governance, we strive to uphold good corporate governance practices at all times. In fostering our business towards SDG 16, our people and operations are guided by the following policies implemented across the Group:-

Corporate Code of Conduct & Ethics (“Code”)

- Employees are required: -
 - o To act honestly and legally at all times;
 - o To avoid any conducts that could risk or damage the Group’s reputation;
 - o To ensure confidentiality of the Group’s information; and
 - o 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.

Anti-Bribery and Corruption Policy (“ABCP”)

- As per the Malaysian Anti-Corruption Commission Act 2009 and 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.

Orientation and Anti-Bribery and Corruption Awareness

HIB has completed its nationwide Orientation and Anti-Bribery and Corruption (ABC) awareness program for year 2022. This is one of our efforts to cultivate a culture of zero tolerance of bribery and corruptions in operations and business dealings. It was a fruitful and meaningful event where attendees gained a better and clearer understanding of HIB’s culture and the Group’s ABC policy. Almost 100% of the Group’s executives has attended the awareness training and undertake in writing to comply with the Company’s ABC Policy.



Sustainability Statement 2022

cont'd

GOVERNANCE (cont'd)

Whistle Blowing Policy

- 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.

We are pleased to highlight that we have not received any whistle-blowing report in FYE 2022. 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.

Environmental, Social and Governance (“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. In order to implement and enhance the ESG policy, the following actions will be taken:

- Identify the indicators for the common sustainability matters (including waste management & emission), feasibility study on the data, action plan and performance target of HIB. Prepare the indicators for the first half of FY2023.
- Audit Committee to appoint our Internal Auditors as independence assurance to strengthen the creditability of the Sustainable Statement.
- Internal auditors to present the audit findings to the Audit Committee. Board member to review the propose policies, measures, indicators and targets on the common sustainability matters.
- Approval from the Board members on the disclosure of common sustainability matters and indicators in the Annual Report 2023.

In this dynamic business world, this ESG policy and practices will be reviewed from time to time so as to ensure its relevance. HIB's objective is to ensure all business conducts adhere to ESG that serve as an ethical foundation to achieve long term business success for HIB.

Management Discussion and Analysis



“ The encouraging results achieved by the HFL Group in 2022 gives us the confidence that the acquisition of the HFL Group was the right strategy for the HIB Group. The recent recovery of Crude Palm Oil prices back to circa RM4,000 per metric tonne and with the easing of foreign labour issues, we are anticipating that demand for fertilisers will remain healthy in 2023 and we look forward to capitalising on our enlarged operations, network and capacity to meet this demand. ”

Ang Sui Aik, Benny
Group Managing Director

BUSINESS OVERVIEW

Hextar Industries Berhad (“HIB”) is an investment holding company listed on the ACE Market of Bursa Securities since 2014. HIB started off as a distributor and supplier of general industrial products and gradually shifted its focus towards quarry industrial products. The company diversified into Fertilizers and Equipment Rental in 2018 and ventured into trading of industrial batteries and related products/peripherals in mid-2020. HIB acquired PK Fertilizers (Sarawak) Sdn. Bhd. in August 2018, entering the fertilizers segment that is now the main revenue contributor to the group.

In 2022, HIB had further acquired the entire equity interest in Hextar Fertilizers Limited (HFL) allowing immediate access to distribution networks and manufacturing facilities in Peninsular Malaysia (Port Klang and Pasir Gudang), Sabah (Lahad Datu) and deeper into Sarawak (Bintulu). The acquisition has also enabled the HIB Group to gain entry to export markets, expanding their global presence in Indonesia, Taiwan, Thailand, Myanmar, Vietnam, Cambodia, Sri Lanka, Australia, Fiji, Papua New Guinea, Mauritius, and Africa.

Management Discussion and Analysis

cont'd

The Group currently concentrates on three (3) key business segments as follows:

Division	Principal activities
Fertiliser	<ul style="list-style-type: none"> - manufacturing and formulating, compound fertiliser, distributing, and trading of various fertilisers, while also providing crop management solutions and services, professional agronomic advisory and consultation services, in-house product development, and bulk blending and mixing of various formulations. - actively trade a wide range of straight fertilisers and offer customisation of fertiliser formulations based on customers' agriculture requirements.
Heavy Equipment	<ul style="list-style-type: none"> - manufacturing, distributing and supplying quarry crusher screens; and - supplying and distributing machinery, spare parts, conveyor belts and related industrial products to quarry industry.
Equipment Rental	<ul style="list-style-type: none"> - trading of industrial products that include forklifts, industrial batteries and/or its accessories; and - provides rental for chillers, power generators, and tents.

Fertiliser Division

The Fertiliser Division provides an extensive range of plant nutrients. The fertilisers supplied can be categorised into the following types:

➤ 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 Mixture 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 types of straight fertilisers. Various formulations can be tailor-made on special request.

➤ Compound Fertilisers



- Compound fertiliser 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

Heavy Equipment Division

The Heavy Equipment Division supplies a range of heavy equipment tools and parts for the quarry industry such as vertical-shaft impact crushers, mobile crushers, crawler drills, breakers, rippers, and more. Heavy Equipment Division is also in the manufacturing of quarry crusher screen and provides conveyor belt system, drills bits and buttons.

Equipment Rental Division

The Equipment Rental Division provides air conditioning and cooling systems, power generating equipment, display and exhibition furniture, and tent for events. Additionally, this Division supplies industrial batteries for use in the construction of data centres, telecommunications infrastructure, and solar power plants.

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

Division	Location of manufacturing plants and/ or sales offices
Fertilisers	Selangor (Port Klang), Johor (Pasir Gudang), Sabah (Lahad Datu) and Sarawak (Bintulu)
Heavy Equipment	Selangor, Penang, Johor, Sabah (Kota Kinabalu) and Sarawak (Kuching)
Equipment Rental	Selangor

REVIEW OF FINANCIAL PERFORMANCE

The current reporting period, financial period ended 31 December 2022 (“**FPE2022**”), represents a 16 months period from 1 September 2021 to 31 December 2022. As a result of the change in the Group’s financial year end from 31 August to 31 December, there is no direct comparable figure (16 months) for the preceding year.

Despite the challenging business environment, the enlarged HIB Group achieved a remarkable financial performance for the FPE2022, reported a revenue of RM1.29 billion, profit before tax (“PBT”) of RM115.6 million and profit after tax (“PAT”) of RM98 million. The outstanding financial performance principally due to higher revenue from all the existing business Divisions (fertilisers, heavy equipment and equipment rental) and the new HFL Group consolidated into the FPE2022. For the financial period under review, the Group adopted merger accounting method for the acquisition of HFL Group, and retrospectively applied since the establishment of common control with HFL Group upon the completion of right issue on 29 October 2021.

	FPE2022 (16 months) RM'000	FY2021 (12 months) RM'000
Revenue	1,285,701	123,040
Gross Profit (“GP”)	221,139	19,949
Profit before tax (“PBT”)	115,615	537
Profit after tax (“PAT”)	98,041	1,916
Gross profit margin (%)	17.2%	16.2%
PBT Margin (%)	9.0%	0.4%
PAT Margin (%)	7.6%	1.6%

Management Discussion and Analysis

cont'd

REVIEW OF FINANCIAL PERFORMANCE (cont'd)



Revenue

The Group achieved a significant increase in revenue of RM1,285.70 million in FPE2022 which represents an impressive growth of more than 10 times from the revenue (RM123.04 million) reported in FY2021. The Fertiliser Division is the largest contributor to the Group's revenue in FPE2022, generating RM1,197.74 million or 93.2% of the total revenue. The Equipment Rental Division contributed RM44.32 million or 3.4% of the total revenue. Lastly, the Heavy Equipment Division contributed RM43.64 million for the remaining 3.4% of the total revenue.

Management Discussion and Analysis

cont'd

REVIEW OF FINANCIAL PERFORMANCE (cont'd)

Revenue (cont'd)

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

	FPE2022 (16 months) RM'000	FY2021 (12 months) RM'000
Fertilisers	1,197,744	81,762
Heavy Equipment	43,635	16,583
Equipment Rental	44,322	24,695
Total revenue	1,285,701	123,040

Fertiliser Division

The Fertiliser Division achieved an impressive result for FPE2022 mainly due to the inclusion of HFL Group's financial results; higher average selling price and additional four (4) months consolidated in the current financial period under review.

Heavy Equipment Division

Revenue from the Heavy Equipment Division increased by RM27.05 million or 163.13% from RM16.58 million in FY2021 to RM43.64 million in FPE2022.

The Heavy Equipment Division registered an improvement in revenue mainly due to the recovery in the mining, quarrying and construction industries as business activities resumed to normal and recovered from the COVID-19 pandemic.

Equipment Rental Division

Revenue from the Equipment Rental Division increased by RM19.63 million or 79.48% from RM24.70 million in FY2021 to RM44.32 million in FPE2022.

The Equipment Rental Division registered an improvement in revenue mainly due to higher demand as the Government eased and uplifted the restrictions on gatherings and events during FPE2022. In addition, the trading of industrial batteries and forklift also recorded higher sales which further improved the revenue of the Equipment Rental Division.

Management Discussion and Analysis

cont'd

REVIEW OF FINANCIAL PERFORMANCE (cont'd)

Gross Profit and Gross Profit Margin

The Group has witnessed a significant increase in gross profit, specifically by RM201.19 million, from RM19.95 million in FY2021 to RM221.14 million in FPE2022. The Group's gross profit margin remained fairly consistent at 17.2% for FPE2022 as compared to 16.2% for FY2021.

The breakdown of the gross profit and gross profit margin by business division is as follows:

	Gross Profit		Gross Profit Margin	
	FPE2022	FY2021	FPE2022	FY2021
	(16 months)	(12 months)	(16 months)	(12 months)
	RM'000	RM'000	%	%
Fertilisers	197,241	9,251	16.5	11.3
Heavy Equipment	11,164	5,625	25.6	33.9
Equipment Rental	12,734	5,073	28.7	20.5
Total gross profit	221,139	19,949	17.2	16.2

The increase in gross profit was mainly contributed from Fertiliser Division as a result of the merger of HFL Group. The geopolitical tensions between Russia-Ukraine coupled with sanction and export restriction has led to global rise in the fertilisers price. Accordingly, the gross profit margin of the Fertiliser Division increased from 11.3% in FY2021 to 16.5% in FPE2022 mainly due to the increase in average selling prices at Fertiliser Division.

The gross profit for the Heavy Equipment Division increased in line with the higher revenue generated. However, the gross profit margin for the Heavy Equipment Division reduced from 33.9% in FY2021 to 25.6% in FPE2022. Despite the demand for the Group's heavy equipment tools and parts increased in FPE2022, the different product sales mix resulted in the lower gross profit margin recorded.

The gross profit for the Equipment Rental Division increased in tandem with the increased in its revenue. The gross profit margin for the Equipment Rental Division increased from 20.5% in FY2021 to 28.7% in FPE2022. The improvement in gross profit margin was mainly attributed to higher revenue from supplying equipment which yielded a higher gross profit margin.

Profit Before Tax ("PBT") and Profit After Tax ("PAT")

Despite the Group incurred one-off impairment loss of goodwill (RM4.85 million) and trade receivables (RM5.50 million) in FPE2022, the Group registered substantial increase in PBT by RM115.08 million as a result of the increase in gross profit. This increase was mostly attributed to the financial result from HFL Group. Accordingly, the Group's PAT has recorded a considerable increase by RM96.12million, rising from RM1.92 million in FY2021 to RM98.04 million in FPE2022.

Management Discussion and Analysis

cont'd

REVIEW OF FINANCIAL POSITION

	31 December	31 August	Variance	
	2022	2021	RM'000	%
	RM'000	RM'000	RM'000	
Assets				
Non-current assets	247,211	76,733	170,478	>100.0
Current assets	633,457	94,305	539,152	>100.0
Total assets	880,668	171,038	709,630	>100.0
Liabilities				
Non-current liabilities	(141,711)	(49,912)	(91,799)	(>100.0)
Current liabilities	(388,303)	(37,235)	(351,068)	(>100.0)
Total liabilities	(530,014)	(87,147)	(442,867)	(>100.0)
Net Assets ("NA")/Total Equity	350,654	83,891	266,763	>100.0
Current ratio (times)	1.6	2.5		
Gearing ratio (times)	0.8	0.7		

The successful acquisition of HFL Group has contributed to the significant rise of the Group's financial position, reflecting the Group's commitment to further grow the fertiliser business. However, the Group's gearing ratio increased to 0.8 times in FPE2022. Nonetheless, the Group closed the financial period with a strong financial position, characterised by higher cash and cash equivalents of RM72.46 million as at 31 December 2022 vis-vis RM16.29 million as at 31 August 2021, current ratio of 1.6 times, and net assets of RM350.65 million.

REVIEW OF STATEMENT OF CASH FLOW

	31 December	31 August
	2022	2021
	RM'000	RM'000
Net cash from/(used in) operating Activities	29,160	(14,213)
Net cash (used in)/from investing Activities	(584)	11,133
Net cash from financing activities	27,594	2,463
Net increase/(decrease) in cash and cash equivalents	56,170	(617)
Effects on foreign exchange rate	-	8
Cash and cash equivalents at beginning of the financial period/year	16,286	16,895
Cash and cash equivalents at end of the financial period/year	72,456	16,286

Management Discussion and Analysis

cont'd

REVIEW OF STATEMENT OF CASH FLOW (cont'd)

Overall, the net increase in cash and cash equivalents of RM56.17 million as at FPE2022 was mainly attributed by: -

- i) Net cash from operating activities amounting to RM29.16 million. The profit before tax of RM115.62 million generated cash inflow of RM170.87 million after adjusted the non-cash item. The cash inflow from operating profit mostly used for the purchase of raw materials, tax payment and working capital purpose.
- ii) Net cash used in investing activities amounting to RM0.58 million, mainly attributed to the proceeds from disposal of asset of RM52.97 million and repayment from holding company of RM31.43 million. The net cash from investing activities was partially offset by cash used of RM81.12 million for acquisition of share in subsidiaries (Hextar Fert Sdn. Bhd., PK Fertilizers Sdn. Bhd. and PK Fertilisers (Sarawak) Sdn. Bhd.) and purchase of property, plant and equipment during FPE2022 of RM8.87 million; and
- iii) Net cash from financing activities amounting to RM27.60 million, mainly attributed to the proceeds from issuance of share through right issue of RM110.24 million and drawdown of term loans of RM20.00 million. The net cash from financial activities was partially offset by repayment of term loans of RM61.86 million and settlement for the bills payables of RM 31.53 million.

The proceeds from the Rights Issue have been fully utilised to repay bank borrowings of RM33.50 million, purchase direct materials and fertilisers of RM53.85 million, purchase industrial products of RM11.55 million, purchase heavy equipment and spare parts of RM4.95 million, cover other operating expenses of RM6.74 million, and used as working capital of RM1.00 million.

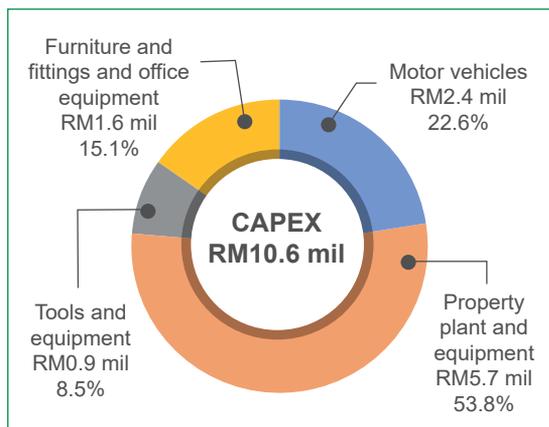
As at 31 December 2022, the Group has cash and cash equivalent of RM72.46 million.

CAPITAL RESOURCES

As at 31 December 2022, the Company's share capital is RM671.44 million comprising 2,747,341,623 ordinary shares with net asset per share of RM0.13, after issued 1.6 billion ordinary shares for the acquisition of HFL Group on 7 December 2022.

Prior to the acquisition of HFL, HIB had completed a Rights Issue on 29 October 2021, with a total of 929,864,180 Rights Shares being listed on the ACE Market of Bursa Malaysia Securities Berhad.

CAPITAL EXPENDITURE ("CAPEX")



In FPE2022, a significant portion of the Group's CAPEX was directed towards the Fertiliser Division. Specifically, RM5.7 mil or 53.8% of the CAPEX was allocated to the renovation of fertiliser's factory and the purchase of the plant and machinery, including pallet and granule making machine, which are crucial to the business activities.

The Group allocated RM2.4 mil or 22.6% of the CAPEX towards the purchase of motor vehicles.

Approximately, RM1.6 mil or 15.1% of the CAPEX was incurred for furniture and fittings and office equipment. Lastly, RM0.9 mil or 8.5% of the CAPEX was allocated to tools and equipment.

Management Discussion and Analysis

cont'd

REVIEW OF OPERATING ACTIVITIES

In this operating review, we will discuss the Division's performance in FPE2022.

Fertiliser Division

On 8 August 2022, HIB had entered into a conditional share sale agreement to acquire the entire equity interest of HFL from Hextar Holdings Sdn Bhd. ("Vendor") for a total purchase consideration of RM480 million.

The acquisition allowed us to increase our annual capacity of compound fertilisers by eight times and establish a presence in strategic locations such as Lahad Datu, Port Klang, and Pasir Gudang. This acquisition immediately increased our production capacity from 75,000 metric tonnes to 679,000 metric tonnes per annum. On 7 December 2022, the acquisition was successfully completed with the listing of 1.6 billion new ordinary shares as consideration pursuant to the acquisition.



The acquisition came with profit guarantee sum provided by the Vendor of RM94 million which was meant to achieve over the financial year 2022 (FY2022) and 2023. We are very pleased that based on the audited financial statement for FY2022, the HFL Group's profit after tax would already exceed the profit guarantee initially targeted for 2 years.

HIB also acquired remaining stake (16.67%) of PK Fertilizers (Sarawak) Sdn. Bhd. ("PKFS"), making PKFS a wholly owned subsidiary of HIB. The acquisition is expected to contribute positively to the future earnings of the Group.

FPE2022 had proven to be challenging, as the geopolitical tensions, including the Russia-Ukraine conflict and sanctions, coupled with export restrictions had significantly affected the supply chain of fertilisers.

In 2022, the monetary policy committee (MPC) of Bank Negara Malaysia (BNM) increased the overnight policy rate (OPR) consecutively four (4) times by 25 basis point, to manage the inflationary pressures. The OPR has gone up by 100 basis points last year to 2.75%, which caused the increase in finance and operating cost of the Group, particularly on the Fertiliser Division.

Despite the challenging business environment and escalating operation cost in 2022, our team successfully navigated the issues and delivered a remarkable excellent financial performance.

Heavy Equipment Division

The Heavy Equipment Division of our company plays a crucial role in supporting mining and quarrying activities in Malaysia.

In 2022, post pandemic recovery resulting in increased growth in the construction industry fueled an increase in mining and quarrying activities, leading to a surge in demand for our heavy equipment. As a result, the Heavy Equipment Division recorded an improvement in its revenue and profits for FPE2022. This positive development reflects our team's effort in meeting the market demand and ensuring efficient operations.

Management Discussion and Analysis

cont'd

REVIEW OF OPERATING ACTIVITIES (cont'd)

Heavy Equipment Division (cont'd)

Our team has continued to secure excellent support from SOOSAN CSM Co. Ltd, Robit Plc, and Alpha-Plus, enabling us to supply hydraulic crawler drill, drilling equipment, and related parts. This strategy has helped us increase our market presence and share. We will continue to work towards expanding our product range and securing more partnerships to serve our customers better.

Equipment Rental Division



Rolls-Royce Event



Mercedes C Class Launch Event

The Equipment Rental Division offers a wide range of services, including rental of chillers, power generators and tents; and trading of industrial products such as forklifts, industrial batteries and other related products. Despite the Covid-19 pandemic challenges, the Division's operations remained resilient, adapting to the changing circumstances while maintaining high levels of service.

The relaxation of COVID-19 restrictions, such as the optional use of face masks indoors, had led to an increase in public participation in events and activities. This positive development had created more opportunities for the Group's equipment rental services, which experienced higher demand in FPE2022. The Division was able to capitalise on this opportunity, recording increased revenue from both event and non-event activities.

The Equipment Rental Division had secured many orders from the new car launching events such as BYD, Rolls-Royce, Ford Ranger, Kia EV6 Electric Car, Mercedes C Class, BMW Electric Car and Porsche. The Division was able to provide the required equipment and support, ensuring the success of these events. This Division also received many orders for supply of temporary air-cooled chiller to public and private sectors. These showcase the Division's versatility and ability to cater to various industries' needs.

In 2022, Equipment Rental Division has demonstrated its resilience, adaptability, and ability to capitalise on opportunities to capture businesses. With the pandemic situation improving and more events and activities taking place, the Division is poised to continue its growth trajectory in the future.

RISK RELATING TO OUR BUSINESS

DEPENDENCY ON THE AGRICULTURE INDUSTRY

The Group is dependent on the agriculture industry as the major portion of the Group's revenue through manufacturing and distribution of fertilisers. The Group's customers are mainly from oil palm industry. The Group's business may be impacted if the demand for palm oil dropped, decline of crude palm oil prices, higher tax rate imposed, and adverse weather condition, which in turn will affect demand for fertilisers.

In the current circumstances with the war between Russia and Ukraine and other geopolitical disturbances, the Group faced an increased-price of raw materials due to supply chain disruptions and export restrictions.

Management Discussion and Analysis

cont'd

RISK RELATING TO OUR BUSINESS (cont'd)

DEPENDENCY ON THE QUARRY AND MINING INDUSTRIES

The Heavy Equipment Division is dependent on the quarry and mining industries as a portion of the Group's revenue from the supply of heavy equipment tools and parts and other related products. The Group's financial performance would be affected if there was a slowdown in the construction and infrastructure development, which would result in lower demand for heavy equipment tools and parts.

EXPOSURE TO CREDIT RISK

The risk of financial loss to the Group that might arise if a customer or counterparty to a financial instrument failed to meet its contractual obligation. The Group's exposure to credit risk might arise primarily from trade and other receivables and financial guarantees given to financial institutions. The Group conducts assessment on a repayment ability of a customer before giving them the credit term to mitigate the credit risk.

FOREIGN CURRENCY EXCHANGE FLUCTUATION

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

FUTURE PROSPECT AND OUTLOOK

The reopening of international borders had facilitated the revival of the global economy, allowing businesses, investments, trades, conferences, travels and transportation to resume. This led to a rejuvenation of various industries and an overall positive sentiment on the global economy. However, the International Monetary Fund projects that global gross domestic growth will remain moderate, with projected growth rates of 3.4% in 2022 and 2.8% in 2023. The high inflation globally and ongoing war between Russia and Ukraine will continue to weigh down the economic activity. The possibility of a global recession remains imminent.

Fertiliser Division

The local fertiliser industry is expected to recover and grow due to market player within the industry rearranging operation, which had in past, restricted by the labour shortage and containment measures of Covid-19. Other factors boosting the growth within the fertiliser industry are likely to come from the continuous interest from the Government in the development of plantation crops particularly for palm oil industry. The rising commodity prices are also expected to play a role in driving demand for fertilisers to increase yields to take advantage of the higher prices of their produce. In addition to plantation crops, demand for fertiliser is also expected to be driven by food crops, whereby the Government is trying to attain self-sufficiency in some of the major commodities in line with the food security issue.

The encouraging results achieved by the HFL Group in 2022 gives us the confidence that the acquisition of the HFL Group was the right strategy for the HIB Group. The recent recovery of Crude Palm Oil prices back to circa RM4,000 per metric tonne and with the easing of foreign labour issues, we are anticipating that demand for fertilisers will remain healthy in 2023 and we look forward to capitalising on our enlarged operations, network and capacity to meet this demand. The earnings uplift will also pave the way for our eventual transfer to the Main Board once we have met the necessary requirements.

Management Discussion and Analysis

cont'd

FUTURE PROSPECT AND OUTLOOK (cont'd)

Fertiliser Division (cont'd)

With the consolidation of the HFL Group and resultant increase in our annual capacity of compound fertilisers by 8 times, HIB will be able to elevate the earnings capability. We now have presence in several strategic locations namely Bintulu, Lahad Datu, Port Klang and Pasir Gudang. Our enlarged HIB Group is now well-positioned to increase revenue and customer base through the HFL Group's extensive and efficient distribution network. We will expand our range of fertiliser products and offer value-added services to our existing and new customers. This provides us the leverage to tap into a bigger market and establish the HIB Group as a market leader in the fertiliser industry.

Heavy Equipment Division

The gradual reopening of borders beginning 1st April, 2022 had a positive impact on the domestic economy, resulting in an improvement in economic sentiment and a more solid outlook for the domestic building and construction industry. However, the Group remains cognizant of the ongoing challenges such as rising interest rates, labour shortages, supply chain disruptions, inflationary pressures, the adoption of the new minimum wage policy, and the recent removal of power tariff subsidies.

The progress of construction works, including but not limited to LRT 3, Mass Rapid Transit Line 3 (MRT 3), Pan Borneo Highway, East Coast Highway, and Klang Valley Double Tracking projects, may drive the growth of mining and quarrying activities. As a result, this may generate higher demand for heavy equipment machines, tools and parts. The Group will continue to monitor the developments in the construction sector and adjust its operations accordingly to seize any opportunities that may arise.

Equipment Rental Division

The recent reopening of borders and relaxation of COVID-19 restrictions in most countries, including Malaysia, had resulted in public participation in events and activities. This trend created new opportunities for the Group's equipment rental services to support these events and outdoor activities.

The ongoing travel recovery in Asia and the Pacific, along with China's reopening this year 2023 is considered a critical driver for the revival of global tourism industry. This is also expected to have a positive impact on the events industry, which is predicted to experience a good recovery.

Dividend Policy

Whilst the company does not have a dividend policy, it is the Group's intention to distribute dividends to shareholders. The Board will take into consideration factors like financial performance, capital expenditure requirements, general financial condition and cash flow position when making decision on dividend pay-out.

A first single-tier interim dividend of 1 sen per ordinary share amounting to approximately RM27.5 million in respect of FPE2022 was declared on 22 February 2023. The dividend had paid out on 15 March 2023.

Acknowledgment

Looking ahead, I am confident that our team will continue to drive our success and achieve even greater heights. Together, we will build on our achievements and continue to deliver exceptional value to our customers, shareholders, and society. I wish to take this opportunity to thank all our employees and stakeholders for their outstanding contributions. I am grateful for your commitment and dedication, and look forward to our continued success together.

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 period ended 31 December 2022 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 Strategic Aims, Values and Standards

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

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

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

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

Corporate Governance Overview Statement

cont'd

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

Part I - Board Responsibilities (cont'd)

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

1.2 The Chairman of the Board

The 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 No Chairman on Board Committee

As the Company has a moderate Board size comprising of only six (6) members, the Chairman, Dato' Chan Choun Sien, is also the Chairman for Remuneration Committee and also a member of the Audit Committee, Nomination Committee, and Risk Management Committee. Through his active participation and extensive board and corporate experience, the discussions and decisions made at these committees have greatly benefited from his input. The Company believes that the Board's objectivity in receiving or assessing committees' reports has not been diminished in any way.

Corporate Governance Overview Statement

cont'd

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

Part I - Board Responsibilities (cont'd)

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

1.5 Qualified and Competent Company Secretaries

In performing their duties, the Board is supported by three (3) suitably qualified and competent Company Secretaries. The Company Secretaries have been providing guidance to the Board, particularly on corporate governance issues and compliance with relevant policies and procedures, rules and regulatory requirements, and ensuring good information flow within the Board, Board Committees and Management.

The Company Secretaries attend all meetings of the Board and Board Committees and guide the Directors on the requirements encapsulated in the Company's Constitution and legislative promulgations such as the Companies Act 2016 and Listing Requirements. The Company Secretaries shall continue to guide the Directors on the requirement to be observed arising from new regulation and guidelines issued by authorities.

1.6 Access to information and advice

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.

Corporate Governance Overview Statement

cont'd

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

Part I - Board Responsibilities (cont'd)

2. Demarcation of Responsibilities

2.1 Board Charter

The Company has in place a Board Charter, which serves to ensure that all Board members are aware of their roles and responsibilities. It sets out the strategic intent and specific responsibilities to be discharged by the Board members collectively and individually. It also regulates the manner in, which the Board conducts business in accordance with sound corporate governance principles.

The Board shall periodically review and update its charter to ensure it remains consistent with the Company's objectives and their responsibilities and the prevailing regulatory requirements.

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 (cont'd)

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.

4. Sustainability Management

4.1 Sustainability Governance Structure

An integrated sustainability governance structure is in place in the Group to facilitate proper planning, implementation and oversight of sustainability initiatives and strategies. The Board is ultimately accountable for overseeing the Group's sustainability initiatives and strategies as a whole. To ensure effective discharge of responsibilities, the Board is assisted by four (4) Board Committees namely, AC, NC, RC and RMC to look into the Group's internal controls, risk management, Board effectiveness as well as sustainability affairs.

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.

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)

4.4 Performance Evaluation of Board and Senior Management

The performance evaluation of the Board for the financial period ended 31 December 2022 included a review of their performance in addressing the Company's material sustainability risk and opportunities ESG issues.

Part II - Board Composition

5. Board's objectivity

5.1 Tenure of the Board

The Nomination Committee ("NC") 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, NC 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 period ended 31 December 2022, the NC 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 NC annually reviews the performance of directors who are seeking re-election based on competency, preparedness, and contributions. In enhancing the NC process by the Board, with the recommendation of NC, a Directors' Fit and Proper Policy had been adopted on 20 June 2022.

5.2 Composition of the Board

The Board presently comprised six (6) members as follows: -

Names	Designation
Dato' Chan Choun Sien	Independent Non-Executive Chairman
Ang Sui Aik, Benny	Group Managing Director
Sham Weng Kong (appointed w.e.f 30 December 2022)	Executive Director
Sim Yee Fuan	Independent Non-Executive Director
Dato Sri Chee Hong Leong	Independent Non-Executive Director
Ong Tzu Chuen	Non-Independent Non-Executive Director

Table X: Composition of the Board

Brief profile of each Directors is 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.

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)

5.2 Composition of the Board (cont'd)

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.

5.3 Tenure of Independent Directors

The NC 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 period ended 31 December 2022 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.

The Board, through the NC, had assessed Mr Sim Yee Fuan, the Independent Non-Executive Director who have served the Company for a cumulative term of more than nine (9) years and concluded that he has fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirement, and thus, he would be able to function as good checks and balances and bring an element of objectivity to the Board.

Accordingly, the Board agreed to retain Mr Sim Yee Fuan as Independent Non-Executive Directors of the Company notwithstanding his service tenure of more than nine (9) years and will seek shareholders' approval at the forthcoming 11th Annual General Meeting ("AGM") to support the Board's decision to retain him as Independent Non-Executive Director 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 NC 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.

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)

5.5 Identification of New Candidates for Appointment of Directors (cont'd)

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

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 10th AGM held on 14 February 2022.

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 Committee

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

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

The present members of the NC of the Company are:

Names	Designation
Dato Sri Chee Hong Leong (Chairman)	Independent Non-Executive Director
Dato' Chan Choun Sien (member)	Independent Non-Executive Chairman
Sim Yee Fuan (member)	Independent Non-Executive Director

Table X: Members of Nomination Committee

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 Committee (cont'd)

The functions of the NC are summarised as follows:

- (i) to undertake an annual review of the Board's succession plans, taking into consideration, the present size, structure and composition of the Board and Board Committees as well as the required mix of skills, experience and competency required and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- (ii) to facilitate the evaluation on the effectiveness of the Board as a whole, the various Committees and each individual Director's contribution to the effectiveness on the decision making process of the Board;
- (iii) to consider succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the Board in the future;
- (iv) responsible for identifying and make the recommendation to the Board on new candidates for election/appointment to the Board or to fill board vacancies as and when they arise;
- (v) to ensure that orientation and education programmes are provided for new members of the Board;
- (vi) to recommend to the Board concerning the re-election/re-appointment of Director to the Board pursuant to the provisions in the Company's Constitution; and

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

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

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 as set out in the Board Charter of the Company, which is available on the corporate website.

One (1) out of the six (6) Directors is a female, which testifies to the Company's commitment on gender diversity.

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)

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

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

5.10 Diversity in Management Team

The Board has established a Boardroom Diversity Policy which is made available at the Company's website at www.hextarindustries.com.

6. Overall Board Effectiveness

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

For financial period ended 31 December 2022, an annual self-assessment of the Board, its Committees and contribution of each individual Director is carried out by the NC, with the assistance of the Company Secretaries, taking the form of comprehensive evaluation questionnaires which provide all Directors with an opportunity to score their opinion on a series of questions in relation to inter alia the execution and performance of the Board as a whole and the Board Committees, and to comment on procedures or any relevant matters.

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

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

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

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

Based on the assessment carried out during the financial period ended 31 December 2022, 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, Dato' Chan Choun Sien and Ms Ong Tzu Chuen are subject to retirement by rotation at the forthcoming 11th AGM and they have expressed their willingness to seek for re-election at the 11th AGM.

Pursuant to Clause 110 of the Company's Constitution, Sham Weng Kong is subject to re-election at the forthcoming 11th AGM and he has expressed his willingness to seek for re-election at the 11th AGM.

Pursuant to the NC's recommendation following the Board assessment carried out in financial period ended 31 December 2022, the Board is satisfied that Dato' Chan Choun Sien, Ms Ong Tzu Chuen and Sham Weng Kong have contributed positively to the overall effectiveness of the Board and are therefore seeking the approval of our shareholders for the re-election of the Directors at the 11th 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 period ended 31 December 2022, 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%
Wong Kin Seng (Resigned w.e.f 30 December 2022)	6/6	100%
Dato' Ong Choo Meng (Resigned w.e.f 30 December 2022)	6/6	100%
Ong Tzu Chuen	6/6	100%
Sim Yee Fuan	5/6	83%
Dato Sri Chee Hong Leong	6/6	100%
Sham Weng Kong (Appointed w.e.f 30 December 2022)	N/A	N/A

Table X: Meeting Attendance of Board Members

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

The Board meetings were held to review and deliberate on the key activities and strategy of the Group, such as financial performance and to endorse the release of the quarterly financial results. All Board and Board Committees' meetings for the financial period ended 31 December 2022 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.

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)

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.

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	<ol style="list-style-type: none"> 1. CIMB Investment Bank, "A Bumpy Transitional Year" 2. KPMG & Tan Chong Motor Holdings Berhad, "MFRS and Malaysian Code of Corporate Governance Update" 3. The Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor, "Investment Outlook for 2022" 4. SME Association of Malaysia, "Levelling Up the Logistics Strategy for SMEs", 5. MDEC, "Insuretech Webinar" 6. Philippines-Japan Society, Inc, "47th ASEAN-Japan Business Meeting" 7. Selangor Dredging Berhad, "Directors' Liabilities to LHDN" 8. KPMG, "Insights into Task Force on Climate-Related Financial Disclosures ("TCFD") and Sustainable Finance" 9. Hextar Healthcare Berhad, "Anti-Bribery & Corruption Awareness - Safeguarding the Group, its Directors, Management & Other Personnel from Corruption Prosecution" 10. APM Automotive Berhad, "Tax Corporate Governance Framework and Guidelines" 11. Tan Chong Motor Holdings Berhad, "Cybersecurity Awareness Training" 12. Transformational Business Network, "2022 Asia Conference: Collaboration in the Post Pandemic World" 13. Tan Chong Motor Holdings Berhad, "Briefing on Directors' Assessment of Board of Directors and Committees"
Ong Tzu Chuen	<ol style="list-style-type: none"> 1. ESG in Credit Ratings: Unpacking our Latest Updates 2. ESG Management: Leading Companies to Sustainable Development
Sham Weng Kong	<ol style="list-style-type: none"> 1. Implementing ESG practices in the Organisation

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)

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

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

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

The present members of the RC are as follow:

Names	Designation
Dato' Chan Choun Sien (Chairman)	Independent Non-Executive Chairman
Sim Yee Fuan (member)	Independent Non-Executive Director
Dato Sri Chee Hong Leong (member)	Independent Non-Executive Director

Table X: Members of Remuneration Committee

The functions of the RC are summarised as following:

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

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)

- (iii) to review and determine the other benefits in kind for the Executive Directors and Principal Officers;
- (iv) to review the Group's compensation policy and ensure alignment of compensation to corporate performance, and compensation offered in line with market practice;
- (v) to review and recommend the remuneration for Non-Executive Directors taking into consideration the fee levels and trends for similar positions in the market, time commitment required from the director and any additional responsibilities undertaken by the particular Non-Executive Directors concerned; and
- (vi) to recommend the engagement of external professional advisors to assist and/or advise the Committee and the Board, on remuneration matters, where necessary.

In financial period ended 31 December 2022, the RC 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.

The Remuneration Committee met once in financial period ended 31 December 2022 to consider the remuneration package for the Executive Director as well as Directors' fees and benefits payable for the Non-Executive Directors.

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

Corporate Governance Overview Statement

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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 period ended 31 December 2022 as follows:-

Directors	Fees (RM)	Salaries and * other emoluments (RM)	Total (RM)
Dato' Chan Choun Sien	56,000	5,000	61,000
Ang Sui Aik, Benny	-	740,720	740,720
Wong Kin Seng (Resigned w.e.f 30/12/2022)	-	653,802	653,802
Dato' Ong Choo Meng (Resigned w.e.f 30/12/2022)	40,000	5,000	45,000
Ong Tzu Chuen	40,000	4,500	44,500
Sim Yee Fuan	40,000	4,500	44,500
Sham Weng Kong (Appointed w.e.f 30/12/2022)	-	-	-
Dato Sri Chee Hong Leong	40,000	5,000	45,000

Table X: Details of Directors' Remuneration

Note:

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

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 period ended 31 December 2022, is tabulated below:

Range of Remuneration	Number of Senior Management
Below RM50,000	-
RM50,001 – RM100,000	-
RM100,001 – RM150,000	1
RM150,001 – RM200,000	-
RM200,001 – RM250,000	-
RM250,001 – RM300,000	-
RM300,001 – RM350,000	-
Above RM350,001	3

Table X: Remuneration Range of Senior Management

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

Corporate Governance Overview Statement

cont'd

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.

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.

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 (cont'd)

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 period ended 31 December 2022.

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 2023.

9.4 Composition of the AC

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

Names	Designation
Sim Yee Fuan (Chairman)	Independent Non-Executive Director
Dato' Chan Choun Sien (member)	Independent Non-Executive Chairman
Dato Sri Chee Hong Leong (member)	Independent Non-Executive Director

Table X: Members of Audit Committee

The terms of reference and summary of activities of the AC are set out in the Audit Committee Report of this Annual Report 2022.

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 or 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.

Corporate Governance Overview Statement

cont'd

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

Part II - Risk Management and Internal Control Framework (cont'd)

10. Effective Risk Management and Internal Control Framework (cont'd)

The RMC comprises the following three (3) members:

Name	Designation
Dato Sri Chee Hong Leong (Chairman)	Independent Non-Executive Director
Dato' Chan Choun Sien	Independent Non-Executive Chairman
Sham Weng Kong (Appointed w.e.f 30/12/2022)	Executive Director

Table X: Members of Risk Management Committee

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

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.

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.

Corporate Governance Overview Statement

cont'd

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

Part I - Communication with Stakeholders (cont'd)

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

12.1 Effective and transparent and regular communication with stakeholders (cont'd)

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.

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

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

Members of the Board as well as management are present to answer questions raised at these meetings. Apart from contacts at general meetings, currently there is no other formal 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.

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 tenth (10th) AGM of the Company held on 14 February 2022, 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

In view of the National Recovery Plan as imposed by the Government to contain the spread of the COVID-19 outbreak in Malaysia, the Company has held its 10th AGM on a fully virtual 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.

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)

13.3 Leverage on Information Technology for Effective Dissemination of Information

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's 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 10 April 2023.

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
Sim Yee Fuan	Chairman	Independent Non-Executive Director
Dato’ Chan Choun Sien	Member	Independent Non-Executive Chairman
Dato Sri Chee Hong Leong	Member	Independent Non-Executive Director

MEETING AND ATTENDANCE

During the financial period ended 31 December 2022, the AC met four (4) times to discuss matters, among others, in relation to the accounting and reporting practices, related party transactions as well as internal and external audits of the Company and its subsidiaries. The members of the AC and their attendance at the four (4) meetings held during the financial period ended 31 December 2022 were tabulated as below: -

Members	Designation	Attendance
Sim Yee Fuan	Chairman	4/4
Dato’ Chan Choun Sien	Member	4/4
Dato Sri Chee Hong Leong	Member	4/4

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

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

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

TERMS OF REFERENCE

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

Audit Committee Report

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FINANCIAL LITERACY OF THE MEMBERS OF AC

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

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

SUMMARY ACTIVITIES OF THE AC DURING THE YEAR

During the financial period ended 31 December 2022, the activities carried out by the AC in discharging its functions and duties included the deliberation and review of the following:-

- i. The Group's quarterly and year-end financial results prior to submission to the Board for consideration and approval and release of the Group's quarterly and year-end financial results to Bursa Securities, focusing particularly on matters relating to changes in major accounting policies, significant and unusual events, compliance with accounting standards and other disclosure requirements;
- ii. The audit planning memorandum of the External Auditors in a meeting to discuss their audit strategy, audit focus and resources prior to commencement of their annual audit;
- iii. The performance of the External Auditors and the recommendations to the Board on their reappointment and remuneration;
- iv. The Audit Committee Report and its recommendation to the Board for inclusion in the Annual Report;
- v. The Statement of Corporate Governance, Statement on Risk Management and Internal Control and its recommendation to the Board for inclusion in the Annual Report;
- vi. The adequacy of the scope and functions of the Internal Audit plan;
- vii. The audit reports presented by the Internal Auditors on major findings, recommendations and Management's responses thereto;
- viii. The results of follow-up audits conducted by the Internal Auditors on the Management's implementation of audit recommendations;
- ix. The effectiveness of the Group's system of internal controls;
- x. The proposed final audit fees for the External Auditors and Internal Auditors in respect of their audit of the Company and the Group;
- xi. Evaluated the performance of the External Auditors for the financial period ended 31 December 2022 covering areas such as calibre, quality processes, audit team, audit cope, audit communication, audit governance and independence as well as the audit fees of the External Auditors and considered and recommended the re-appointment of the External Auditors;
- xii. Related party transactions as required under the Listing Requirements to ascertain that the transactions are conducted at arm's length prior to submission for the Board's consideration and, where appropriate, shareholders' approval;

Audit Committee Report

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

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

INTERNAL AUDIT FUNCTIONS AND ACTIVITIES

The Group's internal audit function which reports directly to the AC, is outsourced to a professional services firm namely ECO Asia Governance Advisory Sdn. Bhd., headed by Mr Woon Soon Fai, Chartered Accountant Malaysia (CA(M)), member of the Malaysian Institute of Accountants (MIA), Fellow member of the Association of Chartered Certified Accountants (FCCA) and Associate member of The Institute of Internal Auditors Malaysia. He has vast experience and exposure in the Internal Audit field. He was assisted by one Internal Auditor professional staff in this assignment during the financial period ended 31 December 2022. The Internal Audit firm appointed by the Company is independent of activities related to business operations and performs its duties in accordance with standards set by relevant professional bodies. The Internal Auditors provide the AC with an independent assessment on the adequacy and effectiveness of the Group's risk management and system of internal control.

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

The costs incurred for the internal audit function in respect of the financial period ended 31 December 2022 was approximately RM22,000.

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 period ended 31 December 2022, 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 Corporate Governance of Hextar Industries Berhad.
- ii. To review the Production Process of PK Fertilizers (Sarawak) Sdn. Bhd.

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

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

Statement on Risk Management and Internal Control

INTRODUCTION

The Board of Directors of Hextar Industries Berhad (“HIB”) 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

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During the financial period, the Group's management conducted a risk assessment and identified three key risks that could impact HIB Group. These risks include natural disasters that could damage assets, health and safety issues in the workplace that could lead to potential injuries or health problems for employees, and foreign currency exchange fluctuations.

To mitigate the risk of asset damage from natural disasters, HIB Group will include flood insurance coverage in the fire insurance policy for inventory and motor vehicles. In the event of a flood, this coverage will help cover the cost of repairs and maintenance to make good any damage to these assets.

For the risk of health and safety issues in the workplace, HIB Group will form a safety committee to oversee safety issues and propose solutions. This committee will hold meetings from time to time to discuss safety-related issues and enforce compliance with personal protective equipment policies. Additionally, the company will conduct fogging activities to prevent mosquito breeding and clean all drainages in warehouses.

Finally, to mitigate the risk of foreign currency exchange fluctuations, HIB Group will continue monitoring foreign currency exposure, use hedging instruments for existing financial liabilities denominated in USD, and negotiate with suppliers to transact in other currencies of lower risk. By taking these steps, HIB Group aims to manage these key risks effectively and maintain strong risk management and internal control practices.

During the financial period, the Group's management has continued to mitigate the impact of Covid-19 pandemic on the business operations of the Group. The Group has implemented various measures to ensure the safety and wellbeing of its employees, including remote working arrangements and the provision of personal protective equipment. In addition, the Group has continued to carry out its Business Continuity Plan ("BCP") to ensure the continued operation of critical business functions. The Group is also closely monitoring the situation and remains vigilant in responding to any potential impact on its business and financial performance.

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

3. Internal Audit Function

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

During the financial period ended 31 December 2022, the internal audit function of the Group was carried out based on the approved internal audit plan. The first review was a corporate governance review for Hextar Industries Berhad, which involved ensuring compliance with the Malaysian Code on Corporate Governance requirements in the Listing Requirements, as well as proper disclosure in several areas, including the Board Charter, Term of References, Code of Conduct and Ethics, Corporate Disclosure Policy, Whistleblowing Policy, and Anti-Bribery and Corruption Policy. The second was a review of the production process for PK Fertilizers (Sarawak) Sdn. Bhd, which included ensuring proper production planning procedures, authorisation and accounting of raw materials, accurate and timely recording of work-in-progress and finished goods, and review of quality control procedures.

The internal audit findings and recommended corrective actions were presented directly to the Audit Committee. Follow-up reviews were conducted to ensure that corrective actions have been implemented on a timely manner. Based on the internal audit review conducted, certain weaknesses surrounding the Corporate Governance of Hextar Industries Berhad and the Production Process for PK Fertilizers (Sarawak) Sdn. Bhd. were highlighted to the management.

In FYE 2022, 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 period ended 31 December 2022 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 period under review, there were no significant internal control deficiencies or material weaknesses resulting in material losses or contingencies requiring disclosure in the Annual Report. The Board is of the view that the existing Group's system of risk management and internal control is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognisant of the fact that the Group's system of risk management and internal control practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the Group's system of internal control and risk management framework.

Other Disclosure Requirements

Pursuant to the Listing Requirements of Bursa Securities

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 period ended 31 December 2022 ("FY2022") were as follows:

	Company (RM)	Group (RM)
Audit Services Rendered	90,000	421,751
Non-Audit Services Rendered	334,500	334,500
TOTAL	424,500	756,251

2. MATERIAL CONTRACTS

Hextar Industries Berhad ("HIB" or "the Company") had on 8 August 2022 entered into a conditional share sale agreement with Hextar Holdings Sdn. Bhd. ("HHSB") to acquire the entire equity interest in Hextar Fertilizers Limited ("HFL") from HHSB for a total purchase consideration of RM480 million to be satisfied by the issuance and allotment of 1,600,000,000 new ordinary shares in HIB at an issue price of RM0.30 per Consideration Share ("Acquisition").

On 7 December 2022, the Company completed the acquisition.

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

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 HFL via their indirect interest through HHSB; and

3. MATERIAL CONTRACTS RELATING TO LOANS

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

Other Disclosure Requirements

Pursuant to the Listing Requirements of Bursa Securities
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 period ended 31 December 2022 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 period ended 31 December 2022 (RM)
Hextar Premier Sdn. Bhd.	Factory Rental	Dato Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB	902,400
Teju Logistics Sdn. Bhd.	Hiring of Lorry	Dato Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB	260,160
Hextar Mitai Sdn. Bhd.	Sales	Dato Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB	24,803
Halex Woolton (M) Sdn Bhd	Sales	Dato Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB	117,600
Rubberex Alliance Sdn. Bhd.	Sales	Dato Ong Choo Meng Ong Tzu Chuen Dato' Chan Choun Sien HHSB	1,311,442
TK Equipment Sdn Bhd	Purchase	Dato Ong Choo Meng Ong Tzu Chuen Dato' Chan Choun Sien HHSB	377,734
Hextar Industrial Chemical Sdn.Bhd.	Sales	Dato Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB	44,500
Amalan Prestasi Sdn Bhd	Warehouse rental	Dato Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB	4,724,943
Evergreen Agricultural Services Sdn Bhd	Transportation charges	Dato Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB	79,092
Halex (M) Sdn Bhd	Sales	Dato Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB	60,650

Other Disclosure Requirements

Pursuant to the Listing Requirements of Bursa Securities

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 period ended 31 December 2022 (RM)
Hextar Assets Management Sdn Bhd	Management Fee	Dato Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB	1,945,020
Hextar Chemical Sdn Bhd	Purchase	Dato Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB	606,939
Hextar Chemical Sdn Bhd	Sales	Dato Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB	88,750
Hextar Fert Sdn Bhd	Sales	Dato Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB	2,200
Hextar Fertilizers Sdn Bhd	Purchase	Dato Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB	3,774,675
Hextar Fertilizers Sdn Bhd	Warehouse Rental	Dato Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB	448,000
Hextar KCS Sdn Bhd	Sales	Dato Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB	7,091
Hextar Oil and Gas Sdn Bhd	Sales	Dato Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB	17,359
Hextar Solutions Sdn Bhd	Purchase	Dato Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB	2,256,500
Ong Tzu Chuen	Office Rental	Dato Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB	32,000
PK Fertilizers Sdn Bhd	Sales	Dato Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB	1,325,775

Other Disclosure Requirements

Pursuant to the Listing Requirements of Bursa Securities
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 period ended 31 December 2022 (RM)
PK Fertilizers Sdn Bhd	Purchase	Dato Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB	4,187,358
PT. Fertilizer Inti Technology	Sales	Dato Ong Choo Meng Ong Tzu Chuen HHSB	4,976,586
Teju Logistics Sdn Bhd	Office Rental	Dato Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB	7,099
Teju Logistics Sdn Bhd	Warehouse rental	Dato Ong Choo Meng Ong Tzu Chuen Dato' Ong Soon Ho HHSB	2,515,500

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 Thursday, 25 May 2023 at 10:00 a.m.. The details as enclosed in the circular dated 26 April 2023.

5. UTILISATION PROCEEDS FROM CORPORATE EXERCISE

The Company has undertaken renounceable rights issue which was completed on 29 October 2021 following the listing and quotation of 929,864,180 Rights Shares and 61,138,799 additional warrants on the ACE Market of Bursa Securities ("Rights Issue"). The Right Issues has raised total gross proceeds of RM111,583,702 million. Status of the utilisation of proceeds derived from the corporate proposal by the Company as at 31 March 2023 are as follows:-

Proposed utilisation of proceeds	Proposed utilisation RM'000	Actual utilisation RM'000	Intended Timeframe for Utilisation
Repayment of bank borrowings	33,500	33,500	Within 6 months
Purchase of direct materials and fertilisers	53,849	53,849	Within 24 months
Purchase of industrial products	11,550	11,550	Within 24 months
Purchase of heavy equipment and spare parts	4,950	4,950	Within 24 months
Other operating expenses	6,735	6,735	Within 24 months
Working capital	1,000	1,000	Within 1 month
	111,584	111,584	

Directors' Responsibility Statement

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 period ended 31 December 2022, 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.

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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 period ended 31 December 2022.

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 period.

CHANGE OF FINANCIAL YEAR END

The financial year end of the Company has been changed from 31 August to 31 December. Consequently, the current accounting period is from 1 September 2021 to 31 December 2022.

FINANCIAL RESULTS

	GROUP	COMPANY
	RM'000	RM'000
Net profit for the financial period	98,041	28,696
Attributable to:		
owners of the Company	98,085	28,696
non-controlling interests	(44)	-
	98,041	28,696

RESERVES AND PROVISIONS

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

DIVIDENDS

On 22 February 2023, the Company declared 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 and paid on 15 March 2023.

The Directors do not recommend the payment of any final dividend for the financial period ended 31 December 2022.

ISSUE OF SHARES AND DEBENTURES

During the financial period, the Company:

- i) issued 929,864,180 new ordinary shares at RM0.12 per share pursuant to the rights issue;

Directors' Report

cont'd

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

- ii) issued 31,504,607 new ordinary shares pursuant to the exercise of 31,504,607 warrants at the issue price of RM0.16 per share; and
- iii) issued 1,600,000,000 new ordinary shares at RM0.30 per share pursuant to the acquisition of a subsidiary, Hextar Fertilizers Limited.

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

There was no issuance of debentures during the financial period.

ISSUE OF WARRANTS

During the financial period, 31,504,607 warrants were exercised.

The salient features and movement of the warrants are disclosed in Note 15 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

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

Ang Sui Aik	
Dato' Sri Chee Hong Leong	
Dato' Chan Choun Sien	
Ong Tzu Chuen	
Sim Yee Fuan	
Sham Weng Kong	(Appointed on 30 December 2022)
Dato' Ong Choo Meng	(Resigned on 30 December 2022)
Wong Kin Seng	(Resigned on 30 December 2022)

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 period until the date of this report:

Dato' Ong Choo Meng
Dato' Ong Soon Ho
Leong Hin Kieat
Teh Li King
Ong Soon Hooi
Ooi Youk Lan
Wong Kin Seng

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 period in the shares of the Company or its subsidiaries during the financial period (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) are as follows:

	← Number of ordinary shares in the Company →			
	At 01.09.2021	Acquired	Disposed	At 31.12.2022
Direct interest				
Sim Yee Fuan	16,666	135,334	-	152,000
Dato' Chan Choun Sien	366,700	1,833,500	-	2,200,200
Sham Weng Kong	-	550,000	-	550,000
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 subsidiary companies during the financial period 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 period held any interest in the shares of the Company.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than 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 32(c) to the financial statements.

Neither during nor at the end of the financial period 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 period is as follows:

	Group RM'000	Company RM'000
Director fees	216	216
Director remuneration	1,148	-
Other remuneration and benefits	271	34
	1,635	250

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 period.

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 period 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 period.
- (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 period 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 period 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 period 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 period is RM421,751 and RM90,000 for the Group and the Company respectively.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors on 10 April 2023,

SHAM WENG KONG

Director

ANG SUI AIK

Director

Statement By Directors

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

We, **Sham Weng Kong** and **Ang Sui Aik**, 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 97 to 189 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 2022 and of the financial performance and cash flows of the Group and of the Company for the financial period then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors on 10 April 2023,

SHAM WENG KONG

Director

Kuala Lumpur

ANG SUI AIK

Director

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 97 to 189 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed at Kuala Lumpur in the Federal)
Territory on 10 April 2023)

LEE KOK PING (44986)

Before me,

COMMISSIONER FOR OATHS

Independent Auditors' Report

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of **Hextar Industries Berhad** ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position as at 31 December 2022 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 period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 97 to 189.

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 2022, and of their financial performance and their cash flows for the period 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 period. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report

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

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

Key Audit Matters (cont'd)

Key audit matters

How our audit addressed the key audit matters

Impairment review on goodwill

Refer to Note 7 to the financial statements.

The Group is required to perform annual impairment test of cash generating unit ("CGU") to which goodwill has been allocated. The Group estimated the recoverable amount of its CGU allocated based on value in use of the CGU. Estimating the value in use of the CGU involves estimating the future cash inflows and outflows that will derived from the CGU, and discounting them at an appropriate rate.

As at 31 December 2022, the Group's goodwill amounted to RM14,429,969 and representing 1.6% of total assets of the Group.

We considered the impairment assessment of goodwill 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.

Impairment review on inventories

Refer to Note 10 to the financial statements.

As at 31 December 2022, the Group's inventories amounted to RM280,346,572 and is representing 31.8% 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:

- 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 to recoverable amount of CGU.

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

Our audit procedures included, among others, the following:

- obtaining an understanding of :
 - the Group's inventory management process; and
 - how the Group identified and assessed slow-moving or obsolete inventories;
- reviewing the stock movement report and stock aging report to identify slow moving aged items;
- attending year end physical inventory count to observe physical existence and condition of raw material and finished goods; and
- reviewing the net realisable value on selected samples of inventory items to test management's evaluation and ensuring that the inventories have been written down.

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

Independent Auditors' Report

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

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

Key Audit Matters (cont'd)

Key audit matters

How our audit addressed the key audit matters

Impairment of trade receivables

Refer to Note 8 to the financial statements

As at 31 December 2022, the Group's trade receivables' carrying amounting to RM255,179,830, net of impairment losses of RM7,794,708, representing 29.0% 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.

We do not have any key audit matters in connection with the audit of the separate financial statements of the Company to be communicated in this report.

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 2022, 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 (Formerly known as Sch Group Berhad)
(Registration No. 201101044580 (972700-P)) (Incorporated in Malaysia)
cont'd

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

Responsibilities of the Directors for the Financial Statements

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 (Formerly known as Sch Group Berhad)
(Registration No. 201101044580 (972700-P)) (Incorporated in Malaysia)
cont'd

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

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

- (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 period 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

Kuala Lumpur
10 April 2023

CHUA KAH CHUN

02696/09/2023 J

Chartered Accountant

Statements of Financial Position

As at 31 December 2022

	Note	Group		Company	
		31.12.2022 RM'000	31.8.2021 RM'000	31.12.2022 RM'000	31.8.2021 RM'000
Non-current assets					
Property, plant and equipment	5	231,856	57,407	-	-
Investment in subsidiary companies	6	-	-	575,331	83,539
Goodwill on consolidation	7	14,430	19,276	-	-
Trade receivables	8	925	-	-	-
Other receivable	9	-	50	-	-
		247,211	76,733	575,331	83,539
Current assets					
Inventories	10	280,347	29,637	-	-
Trade receivables	8	254,254	40,786	-	-
Other receivables	9	20,830	6,043	5	602
Contract assets	26(a)	-	146	-	-
Amount due from subsidiary companies	11	-	-	97,700	16,635
Derivative assets	12	113	-	-	-
Tax recoverable		1,154	1,387	36	14
Fixed deposits with financial institutions	13	403	6,460	-	5,000
Cash and bank balances		76,089	9,846	27,090	367
		633,190	94,305	124,831	22,618
Assets classified as held for sale	14	267	-	-	-
		633,457	94,305	124,831	22,618
Total assets		880,668	171,038	700,162	106,157

Statements of Financial Position

As at 31 December 2022

cont'd

	Note	Group		Company	
		31.12.2022 RM'000	31.8.2021 RM'000	31.12.2022 RM'000	31.8.2021 RM'000
Equity					
Share capital	15	671,443	76,159	671,443	76,159
Merger deficit	16	(559,301)	(23,859)	-	-
Revaluation reserve	17	36,261	-	-	-
Foreign currency translation reserve	18	-	(3)	-	-
Retained earnings/ (accumulated losses)		202,251	27,574	28,075	(621)
Total equity attributable to shareholders of the Company		350,654	79,871	699,518	75,538
Non-controlling interest		-	4,020	-	-
Total equity		350,654	83,891	699,518	75,538
Non-current liabilities					
Lease liabilities	19	68,538	353	-	-
Hire purchase payables	20	2,710	1,069	-	-
Bank borrowings	21	47,792	41,950	-	26,450
Deferred tax liabilities	22	22,671	6,540	-	-
		141,711	49,912	-	26,450
Current liabilities					
Trade payables	23	104,695	14,038	-	-
Other payables	24	41,978	4,697	544	96
Contract liabilities	26(a)	397	259	-	-
Amount due to a subsidiary company	11	-	-	100	100
Amount due to related companies	25	17	-	-	-
Derivative liabilities	12	474	-	-	-
Lease liabilities	19	5,977	136	-	-
Hire purchase payables	20	1,143	263	-	-
Bank borrowings	21	223,318	17,840	-	3,973
Tax payable		10,304	2	-	-
		388,303	37,235	644	4,169
Total liabilities		530,014	87,147	644	30,619
Total equity and liabilities		880,668	171,038	700,162	106,157

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

Statements of Profit or Loss and Other Comprehensive Income

For the Financial Period Ended 31 December 2022

	Note	Group		Company	
		1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000
Revenue	26	1,285,701	123,040	30,800	5,250
Cost of sales		(1,064,562)	(103,091)	-	-
Gross profit		221,139	19,949	30,800	5,250
Other income		9,339	2,466	763	749
Net impairment loss on financial assets		(5,499)	(103)	-	-
Administrative expenses		(43,624)	(11,774)	(2,177)	(690)
Selling and distribution expenses		(38,293)	(7,269)	-	-
Other operating expenses		(8,060)	(130)	-	-
Profit before operations		135,002	3,139	29,386	5,309
Finance costs	27	(19,387)	(2,602)	(507)	(1,522)
Profit before tax	28	115,615	537	28,879	3,787
Taxation	30	(17,574)	1,379	(183)	(30)
Profit for the financial period/year		98,041	1,916	28,696	3,757

Statements of Profit or Loss and Other Comprehensive Income

For the Financial Period Ended 31 December 2022

cont'd

	Note	Group		Company	
		1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000
Profit for the financial period/year		98,041	1,916	28,696	3,757
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	-	-	-
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
- Exchange translation differences for foreign operations		-	8	-	-
Total comprehensive income for the financial period/year		105,999	1,924	28,696	3,757
Profit/(loss) for the financial period/year attributable to:					
Owners of the Company		98,085	1,642	28,696	3,757
Non-controlling interests		(44)	274	-	-
Net profit for the financial period/year		98,041	1,916	28,696	3,757

Statements of Profit or Loss and Other Comprehensive Income

For the Financial Period Ended 31 December 2022

cont'd

	Note	Group		Company	
		1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000
Total comprehensive income/(loss) for the financial period/year attributable to:					
Owners of the Company		106,043	1,650	28,696	3,757
Non-controlling interests		(44)	274	-	-
Total comprehensive income for the financial period/year		105,999	1,924	28,696	3,757
Earnings per share attributable to owners of the Company:					
Basic (Sen)	31	4.01	0.68		
Diluted (Sen)	31	4.01	0.68		

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

Statements of Changes In Equity

For the Financial Period Ended 31 December 2022

	Attributable to owners of the Company									
	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
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 Period Ended 31 December 2022

cont'd

	Attributable to owners of the Company									
	Non-distributable			Distributable				Non-controlling interest		
Note	Share capital	Merger deficit	Revaluation reserve	Foreign currency translation reserve	Capital reserve	Retained earnings	Total	Non-controlling interest	Total equity	
	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 2022	671,443	(559,301)	36,261	-	-	202,251	350,654	-	350,654	

Statements of Changes In Equity

For the Financial Period Ended 31 December 2022

cont'd

Group	Attributable to owners of the Company		Distributable		Non-controlling interest		Total equity
	Share capital	Merger deficit	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 September 2020	75,918	(23,859)	(11)	25,932	77,980	3,746	81,726
Exercise of Warrants	241	-	-	-	241	-	241
Profit for the financial year	-	-	-	1,642	1,642	274	1,916
Other comprehensive income for the financial year	-	-	8	-	8	-	8
Total comprehensive income for the financial year	241	-	8	1,642	1,891	274	2,165
At 31 August 2021	76,159	(23,859)	(3)	27,574	79,871	4,020	83,891

Statements of Changes In Equity

For the Financial Period Ended 31 December 2022

cont'd

	Non-Distributable	Distributable (Accumulated losses)/ Retained earning	Total equity
	Share capital	RM'000	RM'000
Note	RM'000	RM'000	RM'000
Company			
At 1 September 2020	75,918	(4,378)	71,540
Exercise of Warrants	15 241	-	241
Profit for the financial year, representing total comprehensive income for the financial year	-	3,757	3,757
At 31 August 2021	76,159	(621)	75,538
At 1 September 2021	76,159	(621)	75,538
Exercise of Warrants	15 5,041	-	5,041
Issuance of shares pursuant to:	15		
- rights issue	111,584	-	111,584
- acquisition of subsidiaries	480,000	-	480,000
Share issuance expenses	15 (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

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

Statements of Cash Flows

For the Financial Period Ended 31 December 2022

	Note	Group		Company	
		1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000
Cash flow from operating activities					
Profit before tax		115,615	537	28,879	3,787
Adjustment for:					
Bad debts written off		12	4	-	-
Depreciation of property, plant and equipment		20,690	4,837	-	-
Deposit written off		2	-	-	-
Dividend income		-	-	(30,800)	(5,250)
Reversal of impairment loss on investment in subsidiaries		-	-	-	(616)
Net impairment loss on trade receivables		5,499	103	-	-
Interest expenses		19,387	2,602	507	1,522
Inventories written down		16,577	126	-	-
Inventories written off		9,447	-	-	-
Impairment loss on goodwill		4,846	-	-	-
Property, plant and equipment written off		1,600	-	-	-
Gain on lease modification		(4)	-	-	-
Unrealised gain on foreign exchange, net		(862)	(131)	-	-
Gain on disposal of property, plant and equipment and assets held for sale		(2,538)	(1,428)	-	-
Gain on struck off of a subsidiary		(12)	-	-	-
Finance income		(1,215)	(294)	(763)	(133)
Operating profit/(loss) before working capital changes		189,044	6,356	(2,177)	(690)

Statements of Cash Flows

For the Financial Period Ended 31 December 2022

cont'd

	Note	Group		Company	
		1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000
Cash flows from operating activities (cont'd)					
Change in working capital:					
Inventories		(174,893)	(10,488)	-	-
Trade receivables		2,581	9,333	-	-
Other receivables		(3,161)	(3,885)	597	(583)
Contract assets		146	(146)	-	-
Trade payables		58,322	(14,706)	-	-
Other payables		(16,827)	1,445	448	43
Contract liabilities		138	(529)	-	-
		(133,694)	(18,976)	1,045	(540)
Cash generated from/(used in) operations		55,350	(12,620)	(1,132)	(1,230)
Interest received		1,215	277	763	133
Interest paid		(19,387)	(2,240)	(507)	(1,219)
Tax refund		408	2,072	-	-
Tax paid		(8,426)	(1,702)	(205)	(60)
		(26,190)	(1,593)	51	(1,146)
Net cash generated from/ (used in) operating activities		29,160	(14,213)	(1,081)	(2,376)

Statements of Cash Flows

For the Financial Period Ended 31 December 2022

cont'd

	Note	Group		Company	
		1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000
Cash flow from investing activities					
Acquisition of a subsidiary, net of cash and cash equivalents acquired		(74,824)	(93)	-	(280)
Acquisition of shares in a subsidiary		(6,292)	-	(6,292)	
Dividend received		-	-	30,800	5,250
Net repayment received from holding company		31,431	-	-	-
Net repayment received from related companies		5,001	-	-	-
Proceeds from gain on profit guarantee		-	10,217	-	10,217
Purchase of property, plant and equipment	5(c)	(8,869)	(1,377)	-	-
Proceeds from disposal of property, plant and equipment and assets held for sale		52,969	2,386	-	-
Net cash (used in)/generated from investing activities		(584)	11,133	24,508	15,187

Statements of Cash Flows

For the Financial Period Ended 31 December 2022

cont'd

	Note	Group		Company	
		1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000
Cash flow from financing activities					
Drawdown of term loans		20,000	-	-	-
Net advances to related companies		(53)	-	-	-
Net advances to related companies		(8,820)	-	-	-
Net movement of bills payables		(31,531)	9,537	-	-
Net movement of revolving credit		800	-	-	-
Proceeds from exercise of warrants		5,041	241	5,041	241
Proceeds from issuance of shares		110,243	-	110,243	-
Repayment of lease liabilities		(5,128)	(114)	-	-
Repayment of hire purchase		(1,101)	(673)	-	-
Repayment of term loans		(61,857)	(6,528)	(30,423)	(5,469)
Net advances to subsidiaries		-	-	(86,565)	(7,637)
Net cash generated from/ (used in) financing activities (a)		27,594	2,463	(1,704)	(12,865)
Net increase/(decrease) in cash and cash equivalents		56,170	(617)	21,723	(54)
Effects on foreign exchange rate		-	8	-	-
Cash and cash equivalents at beginning of the financial period/year		16,286	16,895	5,367	5,421
Cash and cash equivalents at end of the financial period/year		72,456	16,286	27,090	5,367

Statements of Cash Flows

For the Financial Period Ended 31 December 2022

cont'd

	Group		Company	
	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000
Cash and cash equivalents at the end of the financial period/year comprises:				
Fixed deposits with financial institutions	403	6,460	-	5,000
Cash and bank balances	76,089	9,846	27,090	367
Bank overdraft	(3,747)	-	-	-
	72,745	16,306	27,090	5,367
Less: Fixed deposits pledged with financial institutions	(20)	(20)	-	-
Restricted fixed deposits with financial institutions	(269)	-	-	-
	72,456	16,286	27,090	5,367

Statements of Cash Flows

For the Financial Period Ended 31 December 2022

cont'd

(a) Changes in liabilities arising from financing activities

Group	At	Effect of		Acquisition of	Net	Lease	At
	1 September	changes in	composition of				new lease
	2021	the group	the group	RM'000	RM'000	RM'000	2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Lease liabilities	489	38,317	38,262	(5,128)	2,575		74,515
Hire purchase payables	1,332	1,866	1,756	(1,101)	-		3,853
Bills payable	13,149	217,831	-	(31,531)	-		199,449
Revolving credits	-	12,000	-	800	-		12,800
Term loans	46,641	50,330	-	(41,857)	-		55,114
	61,611	320,344	40,018	(78,817)	2,575		345,731
	At	Accrued	Acquisition of	Net	Foreign		At
	1 September	interest	new lease	cash flow	exchange		31 August
	2020	expense	RM'000	RM'000	movement		2021
	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000
Lease liabilities	4	-	599	(114)	-		489
Hire purchase payables	2,005	-	-	(673)	-		1,332
Bills payable	3,620	-	-	9,537	(8)		13,149
Term loans	52,808	361	-	(6,528)	-		46,641
	58,437	361	599	2,222	(8)		61,611

Statements of Cash Flows

For the Financial Period Ended 31 December 2022

cont'd

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

	At 1 September 2021 RM'000	Accrued interest expense RM'000	Net cash flow RM'000	At 31 December 2022 RM'000
Company				
Term loans	30,423	-	(30,423)	-
	At 1 September 2020 RM'000	Accrued interest expense RM'000	Net cash flow RM'000	At 31 August 2021 RM'000
Term loans	35,589	303	(5,469)	30,423

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

Notes to the Financial Statements

31 December 2022

1. CORPORATE INFORMATION

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

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

The registered office of the Company had been changed from Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan to B-21-1, Level 21, Tower B, Northpoint Midvalley City, No.1 Medan Syed Putra, 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 period.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 10 April 2023.

2. BASIS OF PREPARATION

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

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

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

During the financial period, the Company has completed the acquisition of Hextar Fertilizers Limited ("HFL"), from its holding company, Hextar Holdings Sdn Bhd.. The acquisition is regarded as an internal reorganisation carry out by the holding company.

The Directors have applied the merger accounting for the acquisition of HFL where the financial statement line items of the merged entities for the reporting periods in which the common control combination occur are included in the financial statements of the Group as if the combination had occurred from the date when the merged entities first came under the control of the same shareholder.

Notes to the Financial Statements

31 December 2022

cont'd

2. BASIS OF PREPARATION (cont'd)

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

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
Amendments to MFRS 4	Insurance Contracts – Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to MFRS 7	Financial Instruments: Disclosures – Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to MFRS 9	Financial Instruments – Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to MFRS 16	Leases – Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement – Interest Rate Benchmark Reform (Phase 2)	1 January 2021

The Group and the Company have early adopted the following standards and amendments to published standards:

MFRS (Including the Consequential Amendments)		Effective Date
Amendments to MFRS 3	Business Combinations – Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to MFRSs	Annual Improvement to MFRSs 2018 – 2020 Cycle	1 January 2022

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

Notes to the Financial Statements

31 December 2022

cont'd

2. BASIS OF PREPARATION (cont'd)

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

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
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 101	Presentation of Financial Statements – Disclosures of Accounting Policies	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	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
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 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. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiary companies

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

Notes to the Financial Statements

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(i) Subsidiary companies (cont'd)

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

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

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

Merger method

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

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.

Notes to the Financial Statements

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(i) Subsidiary companies (cont'd)

Acquisition method (cont'd)

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.

(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.

Notes to the Financial Statements

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Foreign currency translation (cont'd)

(i) Foreign currency transactions and balances (cont'd)

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

(ii) Foreign operations

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

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

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

(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(I)(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.

Notes to the Financial Statements

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(i) Recognition and measurement (cont'd)

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.

During the financial period, the Group and the Company had changed its accounting policy of land and buildings from "Cost Model" to "Revaluation Model". The changes had resulted in the recognition of revaluation reserve and deferred tax liabilities amounting to RM7,958,109 and RM2,513,087 respectively.

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

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.

Notes to the Financial Statements

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(iii) Depreciation

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

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

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

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

(d) Goodwill

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

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

Goodwill acquired in a business combination is allocated to cash-generating unit for the purpose of impairment testing and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. The carrying value of goodwill is compared to the recoverable amount, which is the higher of fair values less cost of disposal and value-in-use. Any impairment is recognised immediately as an expense and is not subsequently reversed. The policy of recognition and measurement of impairment losses is in accordance with Note 3(l)(i).

Notes to the Financial Statements

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Leases

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

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

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

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

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

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

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).

- 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 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (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").

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.

Notes to the Financial Statements

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Financial assets (cont'd)

Financial assets measure at amortised cost (cont'd)

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

Financial assets measure at fair value

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

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

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

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

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.

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.

Notes to the Financial Statements

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 related companies, 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.

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.

Notes to the Financial Statements

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

(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.

Notes to the Financial Statements

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(I) 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.

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.

Notes to the Financial Statements

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(I) Impairment of assets (cont'd)

(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.

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.

Notes to the Financial Statements

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Impairment of assets (cont'd)

(ii) Financial assets (cont'd)

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.

(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

Notes to the Financial Statements

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

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.

Notes to the Financial Statements

31 December 2022

cont'd

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

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

(i) Sale of goods

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

(ii) Rendering of services

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

(iii) Rental income of machinery and equipment

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

(iv) Rental income

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

(v) Dividend income

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

(vi) Interest income

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

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets which necessarily take a substantial period of time to get ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group or the Company incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Notes to the Financial Statements

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

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%.

Notes to the Financial Statements

31 December 2022

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Contract assets and liabilities

Contract asset is the right to consideration for goods or services transferred to the customers. When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract liability is the obligation to transfer goods or services to customer for which the Group and the Company have received the consideration or have billed the customer.

(t) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

(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.

Notes to the Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) Fair value measurement (cont'd)

For financial reporting purpose, the fair value measurements are analysed into level 1 to level 3 as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or in indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

(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.

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

(a) Useful lives of property, plant and equipment

The Group regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

(b) Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected selling prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories.

(c) Impairment assessment of financial assets

The Group recognises impairment losses for financial assets using the expected credit loss model based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(d) Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(e) Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value-in-use ("VIU") of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a VIU amount requires management to make an estimate of the expected future cash flows from the CGU and also choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of carrying amount, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are disclosed in Note 7 to the financial statement.

Notes to the Financial Statements

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

(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.

(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.

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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
2022											
Cost/valuation											
At 1 September 2021	1,588	37,921	749	6,897	2,044	39,844	1,794	3,962	-	708	95,507
Effect of changes in composition of the group	-	160,737	1,046	4,665	2,348	54,686	-	1,281	-	-	224,763
Additions	-	38,262	1,066	2,448	581	3,297	-	900	2,333	-	48,887
Revaluation	233	10,238	-	-	-	-	-	-	-	-	10,471
Remeasurement	-	2,315	-	-	-	-	-	-	-	-	2,315
Disposals	-	(48,417)	(4)	(752)	(109)	(997)	-	(112)	-	-	(50,391)
Written off	-	-	(36)	(382)	(66)	(2,527)	-	(28)	-	-	(3,039)
Transferred to inventories	-	-	-	(92)	-	-	-	-	-	-	(92)
Reclassified to assets classified as held for sale (Note 14)	-	(9,164)	-	-	-	-	-	-	-	-	(9,164)
Revocation of disposal	-	19,908	-	-	-	-	-	-	-	-	19,908
At 31 December 2022	1,821	211,800	2,821	12,784	4,798	94,303	1,794	6,003	2,333	708	339,165

Notes to the Financial Statements

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

	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Plant and machinery RM'000	Renovation RM'000	Tools and equipment RM'000	Capital work in progress RM'000	Mould and blocks RM'000	Total 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 14)	-	(397)	-	-	-	-	-	-	-	-	(397)
Revocation of disposal	-	908	-	-	-	-	-	-	-	-	908
At 31 December 2022	79	24,682	1,238	8,972	3,443	64,633	844	2,711	-	707	107,309
Carrying amount											
At 31 December 2022	1,742	187,118	1,583	3,812	1,355	29,670	950	3,292	2,333	1	231,856

Notes to the Financial Statements

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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 2020	37,322	1,173	1,426	39,921
Additions	599	-	-	599
Disposals	-	(117)	-	(117)
Lease cessation	-	(202)	(168)	(370)
At 31 August 2021/ 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	211,800	2,954	4,818	219,572

Notes to the Financial Statements

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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 2020	3,650	573	145	4,368
Charge for the financial year	1,332	163	97	1,592
Disposals	-	(63)	-	(63)
Lease cessation	-	(191)	(143)	(334)
At 31 August 2021/ 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	11,096	448	493	12,037
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	24,682	807	1,877	27,366
Carrying amount				
At 31 December 2022	187,118	2,147	2,941	192,206
At 31 August 2021	32,939	372	1,159	34,470

The Group has motor vehicles and plant and machinery with lease term of 3 to 7 years (31.8.2021: 3 to 9 years).

Included in leasehold land and buildings are operating lease agreements entered into by the Group for the use of staff hostel, office and warehouse with carrying amount of RM71,595,051 (31.8.2021: RM483,141). The leases are mainly with lease term of 2 to 15 years (31.8.2021: 2 to 5 years).

Notes to the Financial Statements

31 December 2022

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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 21 to the financial statements are:

	Group	
	31.12.2022	31.8.2021
	RM'000	RM'000
Freehold land and buildings	-	1,526
Leasehold land and buildings	75,706	32,186
	<u>75,706</u>	<u>33,712</u>

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

	Company	
	31.12.2022	31.8.2021
	RM'000	RM'000
Addition of property, plant and equipment	48,887	2,412
Less: Lease liabilities	(38,262)	(599)
Less: Acquired with hire purchase	(1,756)	-
Less: Transfer from inventories	-	(436)
Acquired by cash payments	<u>8,869</u>	<u>1,377</u>

(d) Included in leasehold land and buildings is an amount of RM115,522,682 (31.8.2021: RM32,455,577) with remaining lease period ranging from 16 to 76 years (31.8.2021: 17 to 77).

(e) The carrying amount for land and buildings of the Group was revalued by independent professional valuers as follows:

	Company	
	31.12.2022	31.8.2021
	RM'000	RM'000
Land and buildings	<u>117,265</u>	<u>-</u>

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 2022

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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
	31.12.2022
	RM'000
Cost	105,222
Accumulated depreciation	(21,891)
	<u>83,331</u>

- (h) During the financial period, a subsidiary company, PK Fertilizers Sdn. Bhd., made a revocation pertaining to the disposal of a piece of land in prior financial year. The revocation is made in respect of the Sale and Purchase Agreement entered with a related company, Amalan Prestasi Sdn. Bhd. on 1 September 2021, for a total consideration of RM19,000,000.

- (i) Included in land and buildings with a carrying amount of RM30,525,819 (31.8.2021: Nil) are yet to be issued individual title of the properties.

6. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	31.12.2022	31.8.2021
	RM'000	RM'000
<u>Unquoted shares, at cost</u>		
At beginning of the financial period/year	100,002	99,722
Additions	491,792	280
Written off	(208)	-
	<u>591,586</u>	<u>100,002</u>
Less: Accumulated impairment losses	(16,255)	(16,463)
At end of the financial period/year	<u>575,331</u>	<u>83,539</u>

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

	Company	
	31.12.2022	31.8.2021
	RM'000	RM'000
At beginning of the financial period/year	16,463	17,078
Reversal of impairment loss	-	(615)
Written off	(208)	-
At end of the financial period/year	<u>16,255</u>	<u>16,463</u>

Notes to the Financial Statements

31 December 2022

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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
		31.12.2022	31.8.2021	
		%	%	
Direct interest:				
SCH Corporation Sdn. Bhd. ("SCH Corporation")	Malaysia	100	100	Investment holding
SCH Wire-Mesh Manufacturing Sdn. Bhd.	Malaysia	100	100	Manufacturing, distributing and supplying of quarry grill
SCH Machinery & Equipment Sdn. Bhd.	Malaysia	100	100	Supplying and distributing quarry machinery, quarry equipment and reconditioned quarry machinery as well as spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery to the quarry industry
Sin Chee Heng (Cambodia) Co., Ltd*^	Cambodia	-	100	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 and trading of mobile air conditioner, tent and event related equipment and tools, forklift and industrial battery
PK Fertilizers (Sarawak) Sdn. Bhd.	Malaysia	100	83.33	Business of manufacturing, merchandising, trading, distribution and wholesale warehouseman of fertilizers

Notes to the Financial Statements

31 December 2022

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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
		31.12.2022	31.8.2021	
		%	%	
Direct interest:				
HIB Management Sdn. Bhd. (FKA Sin Chee Heng (Kuantan) Sdn. Bhd.)	Malaysia	100	100	Distributing all kinds of quarry products to the quarry industry and provision of management services
PK Fert Sdn. Bhd.	Malaysia	100	100	Business of marketing and distribution of fertilizers
Hextar Fertilizers Limited ("HFL")*#	British Virgin Islands	100	-	Investment holding
Indirect interest:				
Held through SCH Corporation				
Sin Chee Heng Sdn. Bhd. ("Sin Chee Heng")	Malaysia	100	100	Supplying and distributing all kinds of quarry industrial products and quarry machinery
Sin Chee Heng (Butterworth) Sdn. Bhd.	Malaysia	100	100	Distributing all kinds of quarry products to the quarry industry
Sin Chee Heng (Johore) Sdn. Bhd.	Malaysia	50	50	Distributing all kinds of quarry products to the quarry industry
Indirect interest:				
Held through Sin Chee Heng				
Sin Chee Heng (Sabah) Sdn. Bhd.	Malaysia	100	100	Distributing all kinds of quarry products to the quarry industry
Sin Chee Heng (Sarawak) Sdn. Bhd.	Malaysia	100	100	Distributing all kinds of quarry products to the quarry industry
Sin Chee Heng (Johore) Sdn. Bhd.	Malaysia	50	50	Distributing all kinds of quarry products to the quarry industry

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
		31.12.2022	31.8.2021	
		%	%	
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	-	Manufacturing, formulation, distribution and trading of a wide range of fertilizers
Hextar Solutions Sdn. Bhd.	Malaysia	100	-	Manufacturing, formulation, distribution and trading of a wide range of fertilizers
PK Fertilizers Sdn. Bhd.	Malaysia	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 2022.

^ *The subsidiary had struck off in current financial period.*

▪ *The Company has commenced a member's voluntary winding up of this subsidiary on 17 March 2023.*

a. Impairment loss

During the financial period, the Company had conducted a review of the recoverable amount of its investment in certain subsidiary companies at the reporting date.

Reversal of impairment loss of Nil (31.8.2021: RM615,655) was recognised during the financial period. The recoverable amount is determined adjusted net assets or value in use of the respective subsidiary companies as at the end of the reporting period less cost of investment.

b. Changes in ownership interest of a subsidiary

During the financial period, the Company entered into a share purchase agreement with Golden Barley International Pte. Ltd. to acquire the remaining equity interest of its subsidiary, PK Fertilizers (Sarawak) Sdn. Bhd. for a total consideration of RM6,292,500. The acquisition is completed on 18 March 2022.

Notes to the Financial Statements

31 December 2022

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6. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

c. Acquisition of a subsidiary

- i. The Company had completed the acquisition of 100% of the equity interest of Hextar Fertilizers Limited for a total consideration of RM480,000,000 satisfied via the issuance of 1,600,000,000 new ordinary shares of the Company on 7 December 2022. The acquisition had the following effects to the Group as at the date of acquisition:

	Group RM'000
Cost of investment	480,000
Less: Share capital of Hextar Fertilizers Limited	(45,340)
Merger deficit	<u>434,660</u>

d. Material non-controlling interest in a subsidiary

	31.12.2022 RM'000	31.8.2021 RM'000
NCI percentage of ownership interest and voting interest	-	16.67%
Carrying amount of NCI	-	<u>4,020</u>
Profit allocated to NCI	-	<u>274</u>

Summarised financial information before intra-group elimination

	31.12.2022 RM'000	31.8.2021 RM'000
As at 31 August		
Non-current assets	-	18,200
Current assets	-	41,790
Non-current liabilities	-	(15,275)
Current liabilities	-	<u>(23,026)</u>
Net assets	-	<u>21,689</u>
Year ended 31 August		
Revenue	-	68,944
Income for the period/year	-	<u>1,772</u>

Notes to the Financial Statements

31 December 2022

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7. GOODWILL ON CONSOLIDATION

	Group	
	31.12.2022	31.8.2021
	RM'000	RM'000
At 1 September	28,818	28,757
Acquisition of a subsidiary	-	61
At 31 December/ 31 August	28,818	28,818
Less: Accumulated impairment losses	(14,388)	(9,542)
	14,430	19,276

Movement in the impairment losses of goodwill is as follows:

	Group	
	31.12.2022	31.8.2021
	RM'000	RM'000
At 1 September	9,542	9,542
Addition	4,846	-
At 31 December/ 31 August	14,388	9,542

Impairment test for goodwill

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

Impairment loss amounted RM4,846,000 (31.8.2021: Nil) was recognised as at 31 December 2022 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 (31.8.2021: ten-year period) that reflects the majority of the assets' useful life. The projection reflects management's expectation of revenue growth for the CGU based on the expectations of market growth.

Key assumptions used in VIU calculations are as follows:

	31.12.2022	31.8.2021
Revenue growth rate	Range from 5% to 20% for the 5 year-period	Range from 10% to 57% for the first six year- period and 5% for the next four-year period
Pre-tax discount rate	14.73%	11.42%

Sensitivity to change in assumption

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

- decrease in 1% of revenue growth rate will result in an additional impairment of RM1,391,090; and
- increase in 1% of pre-tax discount rate will result in an additional impairment of RM971,550.

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31 December 2022

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8. TRADE RECEIVABLES

	Group	
	31.12.2022	31.8.2021
	RM'000	RM'000
Non-current:		
Trade receivables	925	-
Current:		
Trade receivables	262,049	42,656
Less: Impairment loss	(7,795)	(1,870)
	254,254	40,786
Total trade receivables	262,974	42,656
Less: Impairment loss	(7,795)	(1,870)
	255,179	40,786

Trade receivables are non-interest bearing and are generally on credit term of cash on delivery to 120 days (31.8.2021: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables is an amount of Nil (31.8.2021: RM3,511,017) due from related parties.

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

	Group	
	31.12.2022	31.8.2021
	RM'000	RM'000
At 1 September	1,870	3,334
Effect of changes in composition of the group	3,599	-
Net impairment loss during the financial period/year		
- lifetime ECL allowances	680	(114)
- specific allowances	4,819	217
Written off	(3,173)	(1,567)
At 31 December/ 31 August	7,795	1,870

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8. TRADE RECEIVABLES (cont'd)

Movement in the allowance for impairment losses of trade receivables is as follows: (cont'd)

	Group	
	31.12.2022	31.8.2021
	RM'000	RM'000
Accumulated impairment losses		
- lifetime ECL allowances	1,017	335
- specific allowances	6,778	1,535
	<u>7,795</u>	<u>1,870</u>

(a) Trade receivables on deferred payment terms

The Group has arranged for past due receivables amounting RM1,676,859 (31.8.2021: RM78,750) at reporting date to settle their balances under monthly instalment agreement with no interest charged and tenure ranging between 24 to 36 months (31.8.2021: 24 months).

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

	Group	
	31.12.2022	31.8.2021
	RM'000	RM'000
Nominal value		
At 1 September	79	1,141
Addition	1,812	-
Repayment	(214)	(1,062)
At 31 December / 31 August	<u>1,677</u>	<u>79</u>
Discount		
At 1 September	-	17
Add: Accretion of discount	276	-
Less: Unwinding of discount	(51)	(17)
At 31 December / 31 August	<u>225</u>	<u>-</u>
Net carrying amount	<u>1,452</u>	<u>79</u>

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8. TRADE RECEIVABLES (cont'd)

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

Analysis of trade receivables ageing at end of the financial period is as follows:

	Gross amount RM'000	Impairment loss RM'000	Carrying amount RM'000
31.12.2022			
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
31.8.2021			
Not past due	16,743	(21)	16,722
<i>Past due</i>			
Less than 30 days	10,650	(18)	10,632
31 to 60 days	5,095	(4)	5,091
61 to 90 days	1,793	(3)	1,790
91 to 120 days	648	-	648
More than 120 days	7,727	(1,824)	5,903
	25,913	(1,849)	24,064
	42,656	(1,870)	40,786

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.

Notes to the Financial Statements

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9. OTHER RECEIVABLES

	Group		Company	
	31.12.2022	31.8.2021	31.12.2022	31.8.2021
	RM'000	RM'000	RM'000	RM'000
Non-current:				
Other receivable	-	50	-	-
Current:				
Other receivables	10,376	1,792	1	1
Deposits	3,116	467	1	1
Prepayments	7,338	3,784	3	600
	20,830	6,043	5	602
Total other receivables	20,830	6,093	5	602

10. INVENTORIES

	Group	
	31.12.2022	31.8.2021
	RM'000	RM'000
At cost/net realisable value		
Raw materials	169,211	14,424
Work in progress	2	2
Packaging materials	3,648	-
Finished goods	78,391	14,049
Consumables	1,408	-
Goods in transit	27,687	1,162
	280,347	29,637
Recognised in profit or loss:	972,157	90,471

11. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

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

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12. DERIVATIVE ASSETS/(LIABILITIES)

	Group	
	31.12.2022	31.8.2021
	RM'000	RM'000
Derivatives held for trading at fair value through profit or loss		
Forward foreign exchange contracts		
- assets	113	-
- liabilities	(474)	-

The Group uses forward foreign exchange contracts to manage foreign currency exposure in import and export of fertilizers 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 5 months (31.8.2021: Nil).

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 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

13. FIXED DEPOSITS WITH FINANCIAL INSTITUTIONS

Fixed deposit of the Group amounting to RM20,000 (31.8.2021: RM20,000) has been pledged to guarantee facility granted by financial institution for Tenaga Nasional Berhad.

Fixed deposit of the Group amounting to RM268,741 (31.8.2021: Nil) being restricted deposit in lieu for letter of offer of Bangkok Bank Berhad.

The interest rates and maturities of the fixed deposits range from 1.25% to 2.50% (31.8.2021: 1.65% to 1.85%) per annum and 365 days (31.8.2021: 7 to 31 days), respectively.

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14. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	31.12.2022	31.8.2021
	RM'000	RM'000
As at 1 September	-	669
Reclassified from property, plant and equipment (Note 5)	8,767	-
Disposal during the period/year	(8,500)	(669)
As at 31 December/31 August	267	-

During the financial period:

- (a) a subsidiary company, PK Fertilizers Sdn. Bhd. entered into a sales and purchase agreement to disposed a leasehold land and building to a third party for a total consideration of RM8,400,000.
- (b) a subsidiary company, HIB Management Sdn. Bhd. entered into a sales and purchase agreement with third party to dispose a leasehold land and building for a total consideration of RM550,000. Up to the date of this report, the disposal still yet to be complete as it is subject to fulfilment of conditions.

15. SHARE CAPITAL

	Group and Company			
	Number of Ordinary Shares		Amount	
	31.12.2022	31.8.2021	31.12.2022	31.8.2021
	Units ('000)	Units ('000)	RM'000	RM'000
Issued and fully paid				
At beginning of the financial period/year	185,973	555,512	76,159	75,918
Issuance of shares:				-
- rights issue	929,864	-	111,584	-
- acquisition of a subsidiary	1,600,000	-	480,000	-
Exercise of warrants	31,505	803	5,041	241
Share issuance expenses	-	-	(1,341)	-
Shares consolidated	-	(370,342)	-	-
At end of the financial period/year	2,747,342	185,973	671,443	76,159

Notes to the Financial Statements

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15. SHARE CAPITAL (cont'd)

During the financial period, the Company:

- (i) issued 929,864,180 new ordinary shares at RM0.12 per share pursuant to the rights issue;
- (ii) issued 31,504,607 new ordinary shares pursuant to the exercise of 31,504,607 warrants at the issue price of RM0.16 per share; and
- (iii) issued 1,600,000,000 new ordinary shares at RM0.30 per share pursuant to the acquisition of a subsidiary, Hextar Fertilizers Limited.

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

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.

Warrants 2016/2021

On 8 December 2016, the Company completed a bonus issue of 206,117,010 free detachable warrants ("Warrants") on the basis of one warrant for every two ordinary shares held by the entitled shareholders on 29 November 2016.

The Warrants are constituted by the Deed Poll dated 14 November 2016 ("Deed Poll").

Salient features of the Warrants are as follow:

- (i) Each Warrant entitles the Warrant holder to subscribe for one new ordinary shares in the Company at the exercise price of RM0.30 during the 5-year period expiring on 4 December 2021 ("exercise period"), subject to the adjustments in accordance with Deed Poll constituting the Warrants, the exercise price is adjusted from RM0.10 to RM0.30 upon consolidated of Warrants on 12 March 2021. Pursuant to the Rights Issue during the financial period, the exercise price of the Warrants has been revised from RM0.30 to RM0.16 and an additional 61,138,799 Warrants have been allotted;
- (ii) At the expiry of the exercise period, any Warrants which have not been exercised shall automatically lapse and cease to be valid for any purpose;
- (iii) The Warrant holders are not entitled to any voting rights or participation in any distribution and/or offer of securities in the Company, until and unless the warrant holders are issued with new ordinary shares of the Company arising from their exercise of the Warrants; and
- (iv) The new ordinary shares to be issued upon exercise of the Warrants shall, upon issue and allotment, rank *pari passu* in all respects with existing ordinary shares of the Company except that they will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid by the Company prior to the date of allotment of the new ordinary shares to be issued arising from the exercise of the Warrants.

The Warrants of the Company had expired on 3 December 2021. All unexercised Warrants were lapse and ceased to be valid for any purpose.

Notes to the Financial Statements

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15. SHARE CAPITAL (cont'd)

The movement of warrants during the financial period are as follows:

	Group and Company	
	31.12.2022	31.8.2021
	Number ('000)	Number ('000)
Balance as at 1 September	67,809	205,839
Warrants consolidated	-	(137,227)
Adjustment arising from rights issue	61,139	-
Exercise of warrants	(31,505)	(803)
Warrants expired	(97,443)	-
Balance as at 31 December/31 August	-	67,809

16. 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.

17. 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.

18. FOREIGN CURRENCY TRANSLATION RESERVE

Foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

19. LEASE LIABILITIES

	Group	
	31.12.2022	31.8.2021
	RM'000	RM'000
Current liabilities	5,977	136
Non-current liabilities	68,538	353
	74,515	489

Notes to the Financial Statements

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19. LEASE LIABILITIES (cont'd)

The maturity analysis of lease liabilities as follows:-

	Group	
	31.12.2022	31.8.2021
	RM'000	RM'000
Minimum lease payments		
Within one year	8,981	150
Later than one year and not later than two years	8,771	136
Later than two years and not later than five years	23,026	232
Later than five year	58,086	-
	98,864	518
Less: Future finance charges	(24,349)	(29)
Present value of minimum lease payments	74,515	489
Present value of minimum lease payments		
Within one year	5,977	136
Later than one year and not later than two years	5,629	127
Later than two years and not later than five years	15,048	226
Later than five year	47,861	-
	74,515	489
Analysed as:		
Repayable within twelve months	5,977	136
Repayable after twelve months	68,538	353
	74,515	489

Lease interest of the Group ranges from 3.19% to 5.00% (31.8.2021: 3.19%) per annum.

The following are the amounts recognised in profit or loss:

	Group	
	31.12.2022	31.8.2021
	RM'000	RM'000
Depreciation expenses of right-of-use assets	11,096	1,332
Interest expense on lease liabilities	3,787	15
Expenses relating to short-term leases	7,906	1,868
Total amount recognised in profit or loss	22,789	3,215
Total cash outflows for leases (including short-term leases)	(13,034)	(1,982)

Notes to the Financial Statements

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20. HIRE PURCHASE PAYABLES

	Group	
	31.12.2022	31.8.2021
	RM'000	RM'000
Current liabilities	1,143	263
Non-current liabilities	2,710	1,069
	<u>3,853</u>	<u>1,332</u>
	Group	
	31.12.2022	31.8.2021
	RM'000	RM'000
Minimum lease payments		
Within one year	1,300	327
Later than one year and not later than two years	1,240	314
Later than two years and not later than five years	1,675	703
Later than five year	-	179
	<u>4,215</u>	<u>1,523</u>
Less: Future finance charges	(362)	(191)
Present value of minimum lease payments	<u>3,853</u>	<u>1,332</u>
Present value of minimum lease payments		
Within one year	1,143	263
Later than one year and not later than two years	1,125	264
Later than two years and not later than five years	1,585	630
Later than five year	-	175
	<u>3,853</u>	<u>1,332</u>
Analysed as:		
Repayable within twelve months	1,143	263
Repayable after twelve months	2,710	1,069
	<u>3,853</u>	<u>1,332</u>

Hire purchase interest of the Group ranges from 2.07% to 6.98% (31.8.2021: 3.97% - 6.05%) per annum.

Notes to the Financial Statements

31 December 2022

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20. HIRE PURCHASE PAYABLES (cont'd)

The following are the amounts recognised in profit or loss:

	Group	
	31.12.2022	31.8.2021
	RM'000	RM'000
Depreciation expenses of right-of-use assets	941	260
Interest expense on hire purchase	213	86
Total amount recognised in profit or loss	1,154	346
Total cash outflows for hire purchase	(1,101)	(673)

21. BANK BORROWINGS

	Group		Company	
	31.12.2022	31.8.2021	31.12.2022	31.8.2021
	RM'000	RM'000	RM'000	RM'000
Secured				
Bills payable	199,449	13,149	-	-
Bank overdraft	3,747	-	-	-
Revolving Credit	12,800	-	-	-
Term loans	55,114	46,641	-	30,423
	271,110	59,790	-	30,423
Analysed as:				
Current				
Bills payable	199,449	13,149	-	-
Bank overdraft	3,747	-	-	-
Revolving Credit	12,800	-	-	-
Term loans	7,322	4,691	-	3,973
	223,318	17,840	-	3,973
Non-current				
Term loans	47,792	41,950	-	26,450
	271,110	59,790	-	30,423

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21. BANK BORROWINGS (cont'd)

The bank borrowings are secured by the following:

- (a) Legal charge over certain leasehold land and buildings of the Group as disclosed in Note 5 to the financial statements;
- (b) Corporate guarantee by the Company and subsidiary companies, PK Fert Sdn. Bhd. and PK Fertilizers (Sarawak) Sdn. Bhd. ; and
- (c) Negative pledge over all present and future assets of the Group;

Maturity of bank borrowings is as follows:

	Group		Company	
	31.12.2022	31.8.2021	31.12.2022	31.8.2021
	RM'000	RM'000	RM'000	RM'000
Within one year	223,318	17,840	-	3,973
Between one and two years	7,260	7,862	-	6,600
Between two and five years	24,340	23,674	-	19,850
After five years	16,192	10,414	-	-
	47,792	41,950	-	26,450

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	
	31.12.2022	31.8.2021	31.12.2022	31.8.2021
	%	%	%	%
Bills payable	2.90 - 6.72	1.56 - 3.44	-	-
Bank overdraft	7.45 - 8.64	-	-	-
Revolving credit	4.53 - 5.58	-	-	-
Term loans	3.84 - 5.73	3.19 - 4.70	-	4.50

Notes to the Financial Statements

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22. DEFERRED TAX LIABILITIES

	Group	
	31.12.2022	31.8.2021
	RM'000	RM'000
At 1 September	6,540	7,055
Effect of changes in composition of the group	14,897	-
Recognised in profit or loss (Note 30)	2,662	(515)
Arising from revaluation of properties	2,513	-
Charged to revaluation reserve	(3,941)	-
At 31 December/ At 31 August	22,671	6,540

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

	Group	
	31.12.2022	31.8.2021
	RM'000	RM'000
Deferred tax liabilities	26,252	6,896
Deferred tax assets	(3,581)	(356)
	22,671	6,540

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

	Contract liabilities	Property, plant and equipment	Revaluation reserve	Unabsorbed capital allowance and	Total
				unutilised tax losses	
	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
31.12.2022					
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 30)	(33)	6,463	(576)	(3,192)	2,662
At 31 December	(95)	13,359	12,893	(3,486)	22,671

Notes to the Financial Statements

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22. 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
Group					
31.8.2021					
At 1 September	-	7,385	-	(330)	7,055
Recognised in profit or loss (Note 30)	(62)	(489)	-	36	(515)
At 31 August	(62)	6,896	-	(294)	6,540

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

	Group	
	31.12.2022	31.8.2021
	RM'000	RM'000
Unabsorbed capital allowances	164	1,296
Unused tax losses	9,323	14,871
	9,487	16,167

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.

23. TRADE PAYABLES

Credit terms of trade payables of the Group range from 30 to 180 (31.8.2021: 30 to 180) days, depending on the term of the contracts.

Included in trade payables is an amount of Nil (31.8.2021: RM2,867,530) due to related parties.

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24. OTHER PAYABLES

	Group		Company	
	31.12.2022	31.8.2021	31.12.2022	31.8.2021
	RM'000	RM'000	RM'000	RM'000
Other payables	19,041	1,938	-	17
Accruals	22,288	2,755	305	79
Deposits received	649	4	239	-
	41,978	4,697	544	96

Included in other payables is an amount of Nil (31.8.2021: RM16,260) due to related party.

25. AMOUNT DUE TO RELATED COMPANIES

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

26. REVENUE

	Group		Company	
	1.9.2021 to 31.12.2022	1.9.2020 to 31.8.2021	1.9.2021 to 31.12.2022	1.9.2020 to 31.8.2021
	RM'000	RM'000	RM'000	RM'000
Dividend income	-	-	30,800	5,250
Sales of goods	1,269,380	115,117	-	-
Rendering of services	15,743	697	-	-
Rental income of machinery and equipment	578	7,226	-	-
	1,285,701	123,040	30,800	5,250
Timing of revenue recognition				
- at a point in time	1,269,380	115,117	30,800	5,250
- over time	16,321	7,923	-	-
	1,285,701	123,040	30,800	5,250

Notes to the Financial Statements

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26. REVENUE (cont'd)

(a) Contract assets and contract liabilities

Contract asset primarily related to the Group's right to consideration for work completed but not yet billed at the reporting date for consultancy services provided for rental income of machinery and equipment project. Contract assets are transferred to receivables when the rights become unconditional at the point of invoicing to customers.

Contract liabilities primarily related to the Group's advance billing for those rental of machinery and equipment's lease term are after the reporting date. Contract liabilities are recognised as revenue when those lease term had end.

The Group has a right to consideration from a customer in an amount that corresponds directly with the value of goods transferred, and the Directors expect the remaining performance obligation to be fulfilled within one year or less. Consequently, no disclosure is necessary when applying practical expedient in MFRS 15.

27. FINANCE COSTS

	Group		Company	
	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000
Interest expenses on:				
Bills payable	10,299	397	-	-
Bank guarantees	69	-	-	-
Bank overdrafts	514	-	-	-
Lease liabilities	3,787	15	-	-
Hire purchase	213	86	-	-
Term loans	3,829	2,104	507	1,522
Revolving credits	676	-	-	-
	<u>19,387</u>	<u>2,602</u>	<u>507</u>	<u>1,522</u>

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28. PROFIT BEFORE TAX

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

	Group		Company	
	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000
Auditors' remuneration				
- Statutory				
• Current year	422	198	90	47
• Underprovision in prior years	20	12	-	3
- Non-statutory audit fee	251	-	251	-
Bad debts recovered	-	(12)	-	-
Bad debts written off	12	4	-	-
Reversal of impairment loss on investment in subsidiaries	-	-	-	(616)
Depreciation of property, plant and equipment	20,690	4,837	-	-
Deposit written off	2	-	-	-
Foreign exchange loss/(gain)				
- realised	4,327	293	1	3
- unrealised	(862)	(131)	-	-
Inventories written down	16,577	126	-	-
Inventories written off	9,447	-	-	-
Impairment loss of goodwill	4,846	-	-	-
Net impairment loss/(gain) on trade receivables:				
- lifetime ECL allowance	680	(114)	-	-
- specific allowance	4,819	217	-	-
Property, plant and equipment written off	1,600	-	-	-
Rental of machinery and equipments*	2,646	996	-	-
Rental of motor vehicles*	405	195	-	-
Rental of premises*	4,855	677	-	-
Staff cost (excluding Directors' remuneration)				
- salaries, wages and allowance	38,189	8,639	-	-
- contribution to defined contribution plan	2,371	779	-	-
- Social security contribution	288	94	-	-
- other employee benefits	1,015	248	-	-

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28. PROFIT BEFORE TAX (cont'd)

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

	Group		Company	
	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000
Finance income:				
- unwinding of discount on trade receivables	(51)	(17)	-	-
- interest income	(1,164)	(277)	(763)	(133)
Gain on disposal of property, plant and equipment	(2,538)	(1,428)	-	-
Gain on derecognition of lease	-	(1)	-	-
Gain on lease modification	(4)	-	-	-
Gain on struck off of a subsidiary	(12)	-	-	-
Insurance compensation	(1,201)	-	-	-
Rent concession income	(15)	(13)	-	-
Rental income	(1,637)	(10)	-	-

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

29. DIRECTORS' REMUNERATION

	Group		Company	
	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000
Directors of the Group and of the Company				
Executive:				
- Salary and other emoluments*	1,298	716	10	7
- Contribution to defined plan	97	62	-	-
	1,395	778	10	7
Non-executive:				
- Fees	216	162	216	162
- Salary and other emoluments*	24	17	24	17
	1,635	957	250	186

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

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29. 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 period ended 31 December 2022 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	-	-	-	-
RM550,001-RM600,000	1	-	-	-
RM600,001-RM650,000	-	-	-	-
RM650,001-RM700,000	-	-	-	-
RM700,001-RM750,000	1	-	-	-

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30. TAXATION

	Group		Company	
	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000
Tax expense recognised in profit or loss				
Current tax:				
Malaysian income tax	14,473	906	183	30
Overprovision in prior years	(318)	(1,770)	-	-
	14,155	(864)	183	30
Real property gain tax:				
Current year	358	-	-	-
Underprovision in prior years	399	-	-	-
	757	-	-	-
Deferred tax (Note 22):				
Current year	3,630	(321)	-	-
Crystallisation of deferred tax liabilities	(576)	-	-	-
Overprovision in prior years	(392)	(194)	-	-
	2,662	(515)	-	-
	17,574	(1,379)	183	30

Malaysian income tax is calculated at the statutory tax rate of 24% (31.8.2021: 24%) of the estimated assessable profit for the financial period. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

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30. 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	
	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000
Profit before tax	115,615	537	28,879	3,787
Taxation at statutory tax rate of 24% (2021: 24%)	27,748	129	6,931	909
Expenses not deductible for tax purposes	11,355	2,240	434	104
Income not subject to tax	(1,110)	(1,094)	(7,182)	(983)
Deferred tax assets not recognised	21	37	-	-
Crystallisation of deferred tax	(576)	-	-	-
Utilisation of previously unrecognised tax benefits	(19,911)	(727)	-	-
Overprovision of deferred tax in prior years	(392)	(194)	-	-
Overprovision of income tax in prior years	(318)	(1,770)	-	-
Real property gains tax	358	-	-	-
Underprovision of real property gains tax in prior year	399	-	-	-
Tax expense/(income) for the financial period/year	17,574	(1,379)	183	30

The Group has estimated unused tax losses and unabsorbed capital allowances of RM166,540 and RM23,846,865 (31.8.2021: RM2,520,495 and RM14,871,579) 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.

Notes to the Financial Statements

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31. EARNINGS PER SHARE ("EPS")

(a) Basic EPS

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

	Group	
	31.12.2022	31.8.2021
Profit attributable to owners of the Company (RM'000)	98,085	1,642
Weighted average number of ordinary shares at 31 December/August (unit '000) #	2,446,731	239,968
Basic EPS (sen)	4.01	0.68

The weighted average number of ordinary shares as at 31 December 2022 was calculated using the assumption that the 1,600,000,000 new ordinary shares pursuant to the acquisition of HFL were issued on the date where the common control occur.

(b) Diluted EPS

For the purpose of calculating diluted earnings per share, the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the financial period have been adjusted for the dilutive effects of all potential ordinary shares.

	Group	
	31.12.2022 RM	31.8.2021 RM
Profit attributable to owners of the Company (RM'000)	98,085	1,642
Weighted average number of ordinary shares in issue (unit '000)	2,446,731	239,968
Effects for dilution on conversion of warrants (unit)	-	-*
Adjusted weighted average number of ordinary shares for diluted EPS (unit)	-	-*
Diluted earnings per ordinary share (sen)	4.01	0.68

* The effect of potential ordinary shares ongoing from the exercise of warrants was anti-dilutive and accordingly was excluded from the diluted earnings per share computation above.

Notes to the Financial Statements

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32. RELATED PARTY DISCLOSURES

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group and certain members of senior management of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

The Group has related party relationships with its subsidiary companies, related parties and key management personnel.

(b) Compensation of key management personnel

Remuneration of key management personnel (inclusive of the Directors' remuneration as disclosed in Note 29 to the financial statements) are as follows:

	Group		Company	
	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000
Key management compensations:				
- Salaries, wages and bonus	3,293	1,890	226	169
- Defined contribution plan	333	206	-	-
- Other emoluments *	181	196	24	17
	<u>3,807</u>	<u>2,292</u>	<u>250</u>	<u>186</u>

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

Notes to the Financial Statements

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32. 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 related parties. In addition to the related party balances disclosed in Notes 11 and 25 to the financial statements, the significant related party transactions of the Company are as follows:

	Group		Company	
	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000
Subsidiary company				
Advances to	-	-	138,910	11,100
Dividend income	-	-	30,800	5,250
Related companies and related parties				
Revenue	(7,962)	(10,877)	-	-
Purchases	11,203	25,850	-	-
Transport charges	79	-	-	-
Management fee paid	1,945	-	-	-
Rental of lorry	260	195	-	-
Rental of premises	8,645	677	-	-
Purchase of assets	84	23	-	-

33. 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.

Notes to the Financial Statements

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33. FINANCIAL INSTRUMENTS (cont'd)

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

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			
31.12.2022			
Financial assets			
Trade receivables	255,179	-	255,179
Other receivables	13,492	-	13,492
Derivative assets	-	113	113
Fixed deposits with financial institutions	403	-	403
Cash and bank balances	76,089	-	76,089
	345,163	113	345,276
Financial liabilities			
Trade payables	104,695	-	104,695
Other payables	41,978	-	41,978
Amount due to related companies	17	-	17
Derivative liabilities	-	474	474
Lease liabilities	74,515	-	74,515
Hire purchase payables	3,853	-	3,853
Bank borrowings	271,110	-	271,110
	496,168	474	496,642

Notes to the Financial Statements

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33. FINANCIAL INSTRUMENTS (cont'd)

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

	Measured at amortised cost
	RM'000
Group	
31.8.2021	
Financial assets	
Trade receivables	40,786
Other receivables	2,309
Contract assets	146
Fixed deposits with financial institutions	6,460
Cash and bank balances	9,846
	<u>59,547</u>
Group	
31.8.2021	
Financial liabilities	
Trade payables	14,038
Other payables	4,697
Lease liabilities	489
Hire purchase payables	1,332
Bank borrowings	59,790
	<u>80,346</u>
Company	
31.12.2022	
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>

Notes to the Financial Statements

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33. FINANCIAL INSTRUMENTS (cont'd)

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

	Measured at amortised cost
	RM'000
Company	
31.8.2021	
Financial assets	
Other receivables	2
Amount due from subsidiary companies	16,635
Fixed deposits with financial institutions	5,000
Cash and bank balances	367
	22,004
Financial liabilities	
Other payables	96
Amount due to a subsidiary company	100
Bank borrowings	30,423
	30,619

(b) Financial risk management objectives and policies

The Group's and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's and the Company's operations whilst managing its credit, liquidity, foreign currency, interest rate and market risks. The Group and the Company operates within clearly defined guidelines that are approved by the Board and the Group's and the Company's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's and the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group or the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from trade and other receivables, contract assets, deposits placed with financial institutions for facilities granted to the Group and the Company. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies and financial guarantees given to financial institutions for credit facilities granted to subsidiary companies.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial 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 would default on repayment. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Notes to the Financial Statements

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33. FINANCIAL INSTRUMENTS (cont'd)

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

(i) Credit risk (cont'd)

(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 one (31.8.2021: Nil) customer which constituted approximately 18% (31.8.2021: Nil) 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.

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.

Notes to the Financial Statements

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33. 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 (cont'd)

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

31 December 2022

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33. FINANCIAL INSTRUMENTS *(cont'd)*

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

(i) Credit risk *(cont'd)*

(b) Other receivables

At the end of reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

At the end of reporting period, the Group and the Company did not recognised any allowance for impairment losses.

(c) Amount due from subsidiary companies

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

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

At the end of reporting period, the Company did not recognised any allowance for impairment losses.

(d) Other financial instruments

For other financial assets (including fixed deposits with financial institution and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties. In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations. As at the end of the reporting period, there was no indication that there are other financial assets are impaired.

Notes to the Financial Statements

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33. FINANCIAL INSTRUMENTS (cont'd)

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

(i) Credit risk (cont'd)

(e) Financial guarantees contracts

	Group		Company	
	31.12.2022	31.8.2021	31.12.2022	31.8.2021
	RM'000	RM'000	RM'000	RM'000
Corporate guarantees given to licensed banks to secure credit facilities granted to the subsidiary companies	-	-	284,180	29,367
Bank guarantee given to licensed bank, suppliers and customers	3,715	-	-	-
Letter of credit issued by licensed banks	8,803	-	-	-
Bank guarantee given to utilities Company	413	20	-	-
Bank guarantee to Bintulu port for port charges	210	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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33. FINANCIAL INSTRUMENTS (cont'd)

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

(ii) Liquidity risk (cont'd)

	On demand or within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	After 5 years RM'000	Total contractual undiscounted cash flows RM'000	Total carrying amount RM'000
Group						
31.12.2022						
Financial liabilities						
Trade payables	104,695	-	-	-	104,695	104,695
Other payables	41,978	-	-	-	41,978	41,978
Amount due to related companies	17	-	-	-	17	17
Derivative liabilities	474	-	-	-	474	474
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	-
	396,668	19,711	53,884	76,850	547,113	496,642
31.8.2021						
Financial liabilities						
Trade payables	14,038	-	-	-	14,038	14,038
Other payables	4,697	-	-	-	4,697	4,697
Lease liabilities	150	136	232	-	518	489
Hire purchase payables	327	314	703	179	1,523	1,332
Bank borrowings	19,560	9,546	26,623	11,687	67,416	59,790
Financial guarantees contracts*	230	-	-	-	230	-
	39,002	9,996	27,558	11,866	88,422	80,346

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33. FINANCIAL INSTRUMENTS (cont'd)

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

(ii) Liquidity risk (cont'd)

	On demand or within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	After 5 years RM'000	Total contractual undiscounted cash flows RM'000	Total carrying amount RM'000
Company						
31.12.2022						
Financial liabilities						
Other payables	544	-	-	-	544	544
Amount due to a subsidiary	100	-	-	-	100	100
Financial guarantees contracts*	284,180	-	-	-	284,180	-
	284,824	-	-	-	284,824	644
31.8.2021						
Financial liabilities						
Other payables	96	-	-	-	96	96
Amount due to a subsidiary	100	-	-	-	100	100
Bank borrowings	4,611	7,654	21,228	-	33,493	30,423
Financial guarantees contracts*	29,367	-	-	-	29,367	-
	34,174	7,654	21,228	-	63,056	30,619

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

Notes to the Financial Statements

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33. FINANCIAL INSTRUMENTS (cont'd)

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

(iv) Market risks

- Foreign currency exchange risk

The Group is exposed to foreign currency exchange risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily Singapore Dollar (SGD), United States Dollar (USD) and Japanese Yen (JPY). 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
	USD	SGD	JPY	
31 December 2022	RM'000	RM'000	RM'000	RM'000
Deposits, cash and bank balances	404	-	-	404
Trade receivables	1,214	6	-	1,220
Other receivables	8,545	-	-	8,545
Derivative assets	113	-	-	113
Trade payables	(52,380)	-	-	(52,380)
Other payables	(202)	(6)	-	(208)
Derivative liabilities	(474)	-	-	(474)
Bank borrowings	(5,622)	-	-	(5,622)
	(48,402)	-	-	(48,402)
31 August 2021				
Deposits, cash and bank balances	8	-	-	8
Trade receivables	14	114	-	128
Other receivables	179	-	300	479
Trade payables	(3,061)	-	-	(3,061)
Other payables	(398)	-	-	(398)
	(3,258)	114	300	(2,844)

Notes to the Financial Statements

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33. FINANCIAL INSTRUMENTS (cont'd)

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

(iv) Market risks (cont'd)

- Foreign currency exchange risk (cont'd)

Foreign currency sensitivity analysis

Group	Change in currency rate RM	31.12.2022	31.8.2021
		Effect on profit before tax RM'000	Effect on profit before tax RM'000
USD	Strengthened 10%	(4,840)	(326)
	Weakened 10%	4,840	326
SGD	Strengthened 10%	-	11
	Weakened 10%	-	(11)
JPY	Strengthened 10%	-	30
	Weakened 10%	-	(30)

- 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 2022

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33. FINANCIAL INSTRUMENTS (cont'd)

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

(iv) 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	
	31.12.2022	31.8.2021	31.12.2022	31.8.2021
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Fixed deposits with financial institutions	403	6,460	-	5,000
Lease liabilities	74,515	489	-	-
Hire purchase payables	3,853	1,332	-	-
	78,771	8,281	-	5,000
Variable rate instruments				
Bank borrowings	271,110	59,790	-	30,423

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 variables being held constant, would have increased/(decreased) the Group's and the Company's profit before tax by RM2,711,100 and Nil (31.8.2021: RM597,898 and RM304,232) 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.

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33. 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 disclosed in Note 33 (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 33 (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.

34. 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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34. 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	
	31.12.2022	31.8.2021
	RM'000	RM'000
Hire purchase payables	3,853	1,332
Bank borrowings	271,110	59,790
Less: Cash and cash equivalents (including fixed deposits pledged to financial institutions)	(76,492)	(16,306)
Net debts	198,471	44,816
Total equity	350,654	79,871
Gearing ratio (times)	0.57	0.56

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.

35. SEGMENT INFORMATION

The Group has four reportable segment as below:

- (a) Fertilizers
- (b) Heavy equipment
- (c) Equipment rental (inclusive of trading of industrial products)
- (d) Investment holding

Notes to the Financial Statements

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35. 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.

	Fertilizers RM'000	Heavy equipment RM'000	Equipment rental RM'000	Investment holding RM'000	Group RM'000
At 31 December 2022					
Revenue					
Total revenue	1,473,738	60,096	44,459	101,100	1,679,393
Inter-segment elimination	(275,994)	(16,461)	(137)	(101,100)	(393,692)
External revenue	1,197,744	43,635	44,322	-	1,285,701
Results					
Depreciation of property, plant and equipment	16,936	1,450	2,304	-	20,690
Finance cost	18,509	226	145	507	19,387
Finance income	(300)	(121)	(22)	(772)	(1,215)
(Gain)/Loss on disposal of property, plant and equipments and assets held for sale	(2,508)	(61)	31	-	(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/(gain) on financial assets	1,943	(148)	3,704	-	5,499
Segment profit/(loss)	116,765	2,449	4,442	(8,041)	115,615
Segment assets	758,063	48,598	32,326	41,681	880,668
Segment liabilities	516,733	6,659	6,070	552	530,014

Notes to the Financial Statements

31 December 2022

cont'd

35. SEGMENT INFORMATION (cont'd)

	Fertilizers RM'000	Heavy equipment RM'000	Equipment rental RM'000	Investment holding RM'000	Group RM'000
At 31 August 2021					
Revenue					
Total revenue	83,906	20,905	24,645	5,250	134,706
Inter-segment elimination	(2,144)	(4,322)	50	(5,250)	(11,666)
External revenue	81,762	16,583	24,695	-	123,040
Results					
Depreciation of property, plant and equipment	2,180	1,030	1,627	-	4,837
Finance cost	691	217	172	1,522	2,602
Finance income	(79)	(71)	(11)	(133)	(294)
(Gain)/Loss on disposal of property, plant and equipments and assets held for sale	(1)	(1,434)	7	-	(1,428)
Inventories written down	-	126	-	-	126
Net impairment loss on financial assets	291	(450)	262	-	103
Segment profit/(loss)	1,871	(144)	1,479	(2,669)	537
Segment assets	70,411	40,367	35,592	24,668	171,038
Segment liabilities	40,349	9,310	6,969	30,519	87,147

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

31 December 2022

cont'd

35. 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
	1.9.2021 to 31.12.2022 RM'000	1.9.2020 to 31.8.2021 RM'000	
Customer A	245,181	19,284	Fertilizers

36. COMPARATIVES

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. The comparative figures which were prepared for the 12-month period from 1 September 2020 to 31 August 2021, 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 2022
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	16	30,525,819
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	63	26,486,486
3	SCH	Individual title held under industrial H.S.(M) 13156, PT 23677, Mukim Ceras, Tempat Cheras Jaya, Daerah Hulu Langat, Negeri Selangor Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan Leasehold	4 storey building with offices and warehouse	8,510	2015 (Construction completed) 06.07.2022 (Revaluation) RM21,250,000	7	21,067,653
4	PKFS	Title held under 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	24	18,693,661
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	32	17,772,659

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 2022
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 Takzim Freehold	Single-storey clustered factory with mezzanine floor	863	2016 (Acquisition) 07.07.2022 (Revaluation) RM1,750,000	6	1,742,590
7	SME	Master title held under Parent Lot 594, Block 238, Kuching North Land District, Sarawak. Sublot No. 10, Wismacom Industrial Park, 8 ½ Mile, Jalan Batu Kitang. 93250 Kuching, Sarawak. Leasehold	2-storey semi-detached industrial building	681	2016 (Acquisition) 07.07.2022 (Revaluation) RM1,100,000	6	1,058,013

Statistics of Shareholdings

as at 31 March 2023

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 31 MARCH 2023

Size of Shareholdings	No. of Shareholders	No. of Shares	Percentage of Shareholdings (%)
1 to 99	467	21,253	0.000
100 to 1,000	359	204,099	0.007
1,001 to 10,000	1,687	9,983,305	0.363
10,001 to 100,000	1,694	64,762,853	2.357
100,001 - 137,367,080*	613	1,240,435,616	45.150
137,367,081 and above**	2	1,431,934,497	52.120
Total	4,822	2,747,341,623	100.000

Remark:

* - Less than 5% of Issued Shares

** - 5% and above of Issued Shares

SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2023

No.	Name of Substantial Shareholder	No. of Shares held		No. of Shares held	
		Direct	%	Indirect	%
1	Hextar Holdings Sdn Bhd	1,967,884,497	71.629	-	-
2	Dato' Ong Choo Meng	10,079,800	0.367	1,967,884,497 ^(a)	71.629
3	Dato' Ong Soon Ho	2,700,000	0.098	1,967,884,497 ^(a)	71.629

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 31 March 2023

cont'd

DIRECTORS' INTERESTS IN SHARES AS AT 31 MARCH 2023

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	750,000	0.027	-	-
4	Sim Yee Fuan	152,000	0.006	-	-
5	Ong Tzu Chuen	-	-	-	-
6	Dato Sri Chee Hong Leong	-	-	-	-

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 31 MARCH 2023)

No.	Name of Shareholders	No. of Shares	Percentage of Shareholdings (%)
1	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HEXSTAR HOLDINGS SDN. BHD.	1,211,934,497	44.112
2	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK ISLAMIC BERHAD FOR HEXSTAR HOLDINGS SDN BHD	220,000,000	8.007
3	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR HEXSTAR HOLDINGS SDN.BHD. (BX1213)	115,000,000	4.185
4	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HEXSTAR HOLDINGS SDN BHD	115,000,000	4.185
5	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HEXSTAR HOLDINGS SDN BHD (MGN-OCM0001M)	100,000,000	3.639
6	SJ SEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AL RAJHI BANK FOR HEXSTAR HOLDINGS SDN. BHD.	71,000,000	2.584
7	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HEXSTAR HOLDINGS SDN. BHD. (M3918A)	55,000,000	2.001
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HEXSTAR HOLDINGS SDN BHD	55,000,000	2.001
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG AH CHAI	45,200,000	1.645
10	MOK YAU CHOY	30,300,000	1.102

Statistics of Shareholdings

as at 31 March 2023

cont'd

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 31 MARCH 2023) (cont'd)

No.	Name of Shareholders	No. of Shares	Percentage of Shareholdings (%)
11	K.SENG SENG CORPORATION BERHAD	28,000,000	1.019
12	M & A NOMINEE (TEMPATAN) SDN BHD TEH & LEE FOR HEXTAR HOLDINGS SDN BHD	24,950,000	0.908
13	FIAMMA HOLDINGS BERHAD	19,900,000	0.724
14	WONG KIN SENG	14,996,694	0.545
15	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHNG TEONG SENG	14,020,000	0.510
16	MOK YAU CHOY	13,200,000	0.480
17	CHONG YOKE SIM	13,100,000	0.476
18	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANDREW TAN JUN SUAN (MY1868)	12,900,900	0.469
19	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR YI-LAI INDUSTRY BERHAD (SMART)	11,350,000	0.413
20	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEONG KONG FITT (MY4512)	10,884,700	0.396
21	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM JEE GIN (7012027)	10,476,400	0.381
22	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHEONG KONG FITT	10,328,500	0.375
23	ONG CHOO MENG (DATO')	10,079,800	0.366
24	JOHNNY TING KOK LING	9,388,900	0.341
25	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR SIGNATURE INTERNATIONAL BERHAD	9,200,000	0.334
26	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR POR TEONG ENG (MY3923)	8,000,000	0.291
27	AMANAHRAYA TRUSTEES BERHAD PMB SHARIAH AGGRESSIVE FUND	7,700,000	0.280
28	MOK WHEH XIA	7,404,700	0.269
29	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR OOI CHEN SENG	7,390,000	0.268
30	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HII CHII KOK @ HII CHEE KOK (MY1723)	7,000,000	0.254

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Eleventh (11th) 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 : Thursday, 25 May 2023

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 TIIH Online website at <https://tiih.online> or <https://tiih.com.my>

for the following purposes:

- | | | |
|----|---|---|
| 1. | To receive the Audited Financial Statements for the financial period ended 31 December 2022 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 RM600,000 for the period from 11th AGM until the conclusion of the 12 th AGM of the Company. | Ordinary Resolution 1 |
| 3. | To approve the payment of Directors’ benefits of up to RM100,000 for the period from 11 th AGM until the conclusion of the 12 th AGM of the Company. | Ordinary Resolution 2 |
| 4. | To re-elect the following Directors who are retiring pursuant to the Clause 103(1) of the Company’s Constitution and being eligible, have offered themselves for re-election: | |
| | i. Dato’ Chan Choun Sien | Ordinary Resolution 3 |
| | ii. Ong Tzu Chuen | Ordinary Resolution 4 |
| 5. | To re-elect Sham Weng Kong who is retiring pursuant to Clause 110 of the Company’s Constitution and being eligible, has offered himself for re-election. | Ordinary Resolution 5 |
| 6. | To re-appoint Messrs. Ecovis Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. | Ordinary Resolution 6 |

Notice of Annual General Meeting

cont'd

SPECIAL BUSINESSES:

To consider and, if thought fit, to pass the following Resolution:

7. **Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016** **Ordinary Resolution 7**

“THAT 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 commence immediately upon passing of the resolution and 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 authority for the Company to undertake a Share Buy-Back of up to Ten percent (10%) of its total number of issued shares (“Proposed Share Buy-Back”)** **Ordinary Resolution 8**

“THAT subject to the Companies Act 2016, the Company’s Constitution, the relevant ACE Market Listing Requirements (“Listing Requirement”) of Bursa Malaysia Securities Berhad and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to purchase such number of ordinary shares in the Company (“Proposed Share Buy-Back”) as may be determined by the Board of Directors of the Company (“Board”) from time to time through Bursa Malaysia Securities Berhad pursuant to the Listing Requirements and such terms and conditions as the Board may deem fit and expedient in the best interest of the Company provided that the aggregate number of ordinary shares purchased pursuant to this resolution shall not exceed ten percent (10%) of the total number of issued shares of the Company;

THAT the maximum amount of funds to be utilised by the Company for the purpose of the Proposed Share Buy-Back shall not exceed the aggregate retained earnings based on the latest Audited Financial Statements and/or the latest management accounts of the Company (where applicable) available at the time of the purchase(s);

Notice of Annual General Meeting

cont'd

THAT upon the purchase by the Company of the ordinary shares, the Board shall have the absolute discretion to decide whether such shares purchased are to be cancelled and/or retained as treasury shares and/or distributed as dividends and/or resold on Bursa Malaysia Securities Berhad or transferred for the purpose of or under the employee' share scheme or share grant scheme which the Company may establish or in any other manner as prescribed by the Companies Act 2016, rules, regulations and orders made pursuant to the Companies Act 2016, the ACE Market Listing Requirements and any other relevant authorities for the time being in force; 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 Share Buy-Back 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 9**

"THAT subject to the provisions of the 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 26 April 2023 ("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

Notice of Annual General Meeting

cont'd

- (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever is the earlier;

AND THAT the estimated aggregate value of the transactions conducted pursuant to the Proposed Mandate during a financial year will be disclosed, in accordance with the Listing Requirements, in the Annual Report of the Company for the said financial year;

AND FURTHER THAT authority be and is hereby given to the Directors of the Company and its subsidiary companies to complete and do all such acts and things (including executing such documents as may be required) to give effect to such transactions as authorised by this Ordinary Resolution.”

10. **Proposed continuation in office of Sim Yee Fuan as Independent Non- Ordinary Resolution 10 Executive Director (“INED”)**

“THAT approval be and is hereby given to Sim Yee Fuan who has served as an INED of the Company for a cumulative term of more than nine (9) years to continue to act as an INED of the Company until the conclusion of the next AGM in accordance with the Malaysian Code on Corporate Governance 2021.”

11. To transact any other business of the Company for which due notice shall have been given.

By order of the Board,

TAN TONG LANG (MAICSA 7045482 /SSM PC No. 202208000250)

TAN LAY KHOON (MAICSA 7077867/ SSM PC No. 202208000544)

LEE KOK PING (MIA 44986 / SSM PC No. 202008004407)

Company Secretaries

Kuala Lumpur

26 April 2023

Notice of Annual General Meeting

cont'd

Notes

1. The 11th 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://tjih.online> or <https://tjih.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 11th 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 11th 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 11th 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 11th 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.

Notice of Annual General Meeting

cont'd

7. *A Member who has appointed a proxy to participate in this 11th 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 11th AGM, the Company shall be requesting a Record of Depositors as at 18 May 2023 and only members whose name appears on such Record of Depositors dated 18 May 2023 shall be entitled to participate and/or vote at the 11th 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 2022**

This item of the Agenda is for discussion purposes only, as Section 340(1)(a) of the Companies Act 2016 does not require the shareholders to formally approve the Audited Financial Statements. Therefore, this item will not be put forward for voting.

2. **Ordinary 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 Eleventh Annual General Meeting ("11th 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 Tenth (10th) AGM had approved the payment of Directors' fees of up to RM200,000.00 to Non-Executive Directors for the period from 10th AGM until the conclusion of the 11th AGM.

3. **Ordinary Resolution 2 – Directors' Benefits**

The proposed benefits of RM100,000.00 from the 11th AGM up to the conclusion of the 12th 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 – 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 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, Dato' Chan Choun Sien and Ms Ong Tzu Chuen have abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant Board and Committee meetings.

Notice of Annual General Meeting

cont'd

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.

Mr Sham Weng Kong, who was appointed on 30 December 2022 is standing for re-election as Director of the Company at the 11th AGM.

5. Ordinary Resolution 6 – Re-appointment of Auditors

The Audit Committee (“AC”) has on 10 April 2023 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.

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 2023 be put forward for the shareholders’ approval at the 11th AGM.

6. Ordinary Resolution 7 – Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed Ordinary Resolution 7 if passed, is a 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 14 February 2022.

7. Ordinary Resolution 8 – Proposed Authority to for the Company to undertake a Share Buy-Back of up to Ten percent (10%) of its total number of issued shares

This Ordinary Resolution 8, 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 Share Buy-Back Statement dated 26 April 2023 which is despatched together with the Company’s Annual Report 2022.

8. Ordinary Resolution 9 – Proposed New and Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (“Proposed Mandate”)

The Ordinary Resolution 9, 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 26 April 2023 which is despatched together with the Annual Report 2022.

Notice of Annual General Meeting

cont'd

9. **Ordinary Resolution 10 – Proposed continuation in office of Sim Yee Fuan as Independent Non-Executive Director (“INED”)**

The Board, through the Nomination Committee, had conducted annual performance evaluation and assessment on Sim Yee Fuan who is serving as an INED for a cumulative term of nine years, and had recommended him to continue to act as INED of the Company based on the following justifications:

- i. He had fulfilled the criteria under the definition of Independent Director as stated in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, and hence he would be able to bring the element of objectivity, independent judgement and balance to the Board;*
- ii. He is knowledgeable and have applied his vast experience and exercised due care during his tenure as INED of the Company. He has carried out his duties with reasonable skill and competence, bringing independent judgement and depth into the Board’s decision making in the best interest of the Company, shareholders and stakeholders;*
- iii. He have been with the Company long and therefore understand the Company’s business operations which enable him to participate actively and contribute during Board and Board Committee meetings; and*
- iv. He exhibited high commitment and devoted sufficient time and efforts to attend the meetings for informed and balanced decision making.*

His profile is set out in the Profile of Directors on page 12 of the Company’s 2022 Annual Report.

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 11th 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 Eleventh (11th) 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://tiih.online> or <https://tiih.com.my> (Domain registration number with MYNIC: D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia on Thursday, 25 May 2023 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 RM600,000.00 for the period from 11 th AGM until the conclusion of the 12 th AGM of the Company.		
2.	Ordinary Resolution 2 To approve the payment of Directors' benefits of up to RM100,000.00 for the period from 11 th AGM until the conclusion of the 12 th AGM of the Company		
3.	Ordinary Resolution 3 To re-elect Dato' Chan Choun Sien 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 Ong Tzu Chuen who is retiring pursuant to Clause 103(1) of the Company's Constitution and being eligible, has offered herself for re-election.		
5.	Ordinary Resolution 5 To re-elect Sham Weng Kong who is retiring pursuant to Clause 110 of the Company's Constitution and being eligible, has offered himself for re-election.		
6.	Ordinary Resolution 6 To re-appoint Messrs. Ecovis Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
7.	Ordinary Resolution 7 To approve the authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016.		
8.	Ordinary Resolution 8 Proposed Authority to Hextar Industries Berhad to purchase its own shares of up to Ten Percent (10%) of the total number of issued shares of the Company.		
9.	Ordinary Resolution 9 Proposed New and Renewal Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
10.	Special Resolution 10 Proposed continuation in office of Sim Yee Fuan as Independent Non-Executive Director.		

(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 _____ 2023

Signature: _____

(If shareholder is a corporation, this form should be executed under seal)

NOTES:

1. The 11th 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 TIH Online website at <https://tjih.online> or <https://tjih.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 11th 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 11th 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 11th 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 11th 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 TIH 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 TIH 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 11th AGM must request his/her proxy to register himself/ herself for the RPV at Tricor's TIH 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 11th AGM, the Company shall be requesting a Record of Depositors as at 18 May 2023 and only members whose name appears on such Record of Depositors dated 18 May 2023 shall be entitled to participate and/or vote at the 11th AGM or appoint a proxy or proxies to participate and/ or vote on his/her behalf.

hextarindustries.com



HEXTAR INDUSTRIES BERHAD

201101044580 (972700-P)

 No.63 & 64, Jalan Bayu Laut 4/KS09,
Kota Bayuemas, 41200 Klang,
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 Email : finance.hexind@hextar.com