THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Pursuant to Practice Note 18 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), Bursa Securities has only conducted a limited review of the contents set out in this Circular in relation to the Proposed Bonus Issue prior to its issuance. Bursa Securities takes no responsibility for the contents of this Circular and the valuation report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

HEXTAR GLOBAL BERHAD

[Registration No.: 199001014551 (206220-U)]
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

(i) PROPOSED BONUS ISSUE OF UP TO 492,407,738 NEW ORDINARY SHARES IN HEXTAR GLOBAL BERHAD ("BONUS SHARE(S)") ON THE BASIS OF 3 BONUS SHARES FOR EVERY 5 EXISTING ORDINARY SHARES IN HEXTAR HELD AT AN ENTITLEMENT DATE TO BE DETERMINED LATER;

(ii) PROPOSED ACQUISITIONS OF:

(a) 500,000 ORDINARY SHARES IN ALPHA AIM (M) SDN BHD ("AASB"), REPRESENTING 100% EQUITY INTEREST IN AASB FROM TAN SEIO BENG AND CHAN KWEI LING; AND

(b) 1,050,014 ORDINARY SHARES IN CHEMPRO TECHNOLOGY (M) SDN BHD ("CTSB"), REPRESENTING 100% EQUITY INTEREST IN CTSB FROM TAN SEIO BENG, CHEOK VIPING AND WETACHO (M) SDN BHD;

FOR A TOTAL PURCHASE PRICE OF RM138,000,000.00 TO BE FULLY SATISFIED BY CASH;

(iii) PROPOSED DIVERSIFICATION OF THE BUSINESS ACTIVITIES OF HEXTAR AND ITS SUBSIDIARIES TO INCLUDE THE BUSINESS OF MANUFACTURING AND DISTRIBUTION OF SPECIALTY CLEANING CHEMICALS PRODUCTS SUCH AS LATEX POLYMERS, COAGULANTS, DETERGENTS, DEGREASERS, CHLORINE SANITISER AND OTHERS.

(COLLECTIVELY, "PROPOSALS")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

M&A SECURITIES SDN BHD
Registration no. 197301001503 (15017-H)
(A Wholly-Owned Subsidiary of Insas Berhad)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("**EGM**") and the Form of Proxy are enclosed in this Circular. Details of the Company's EGM which to be held entirely through live streaming from the Broadcast Venue at No. 64, Jalan Bayu Laut 4/KS09, Kota Bayuemas, 41200 Klang, Selangor, Malaysia ("**Broadcast Venue**") are set out below:

Date and time of the EGM	:	Monday, 14 June 2021 at 10.00 a.m.
Last date and time for lodging the Form of Proxy	:	Saturday, 12 June 2021 at 10.00 a.m.

If you decide to appoint proxy(ies) to attend, participate, speak and vote on your behalf at the EGM are requested to complete, sign and return the original Form of Proxy in accordance with the instructions contained therein as soon as possible and in the event so as to arrive at the office of the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or by electronic lodgement via **TIIH Online** at https://tiih.online on or before the time and the date indicated above should you be unable to attend the EGM. The lodging of the Form of Proxy will not preclude you from attending and voting remotely at the EGM should you subsequently wish to do so.

This Circular is dated 28 May 2021

DEFINITIONS

Except where the context otherwise requires, the following definition shall apply throughout this Circular:

"AASB"	:	Alpha Aim (M) Sdn Bhd [Reg. No: 199401021941 (307620-A)]
"AASB Sale Share(s)"	:	500,000 AASB Shares, representing 100% equity interest in AASB
"AASB Share(s)"	:	Ordinary shares in AASB
"AASB Vendors"	:	Tan Seio Beng and Chan Kwei Ling
"Acquiree Companies"	:	AASB and CTSB
"Act"	:	Companies Act 2016 and includes any amendments thereto from time to time
"Aggregate GP"	:	Aggregate GP of RM39.00 million over the Guaranteed Profit Period derived from the Minimum GP
"Balance Purchase Price"	:	A sum of Ringgit Malaysia eighty five million and two hundred thousand (RM85,200,000.00) only, being part of the Purchase Price
"Board"	:	Board of Directors of Hextar
"Bonus Share(s)"	:	Up to 492,407,738 new Hextar Shares to be issued pursuant to the Proposed Bonus Issue
"BND"	:	Brunei Dollar
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd [Reg. No: 198701006854 (165570-W)]
"Bursa Securities"	:	Bursa Malaysia Securities Berhad [Reg. No: 200301033577 (635998-W)]
"CCCL"	:	Cambodian Chempro Co., Ltd. [Reg. No: 00005042]
"CCM"	:	Companies Commission of Malaysia
"Circular"	:	This circular to shareholders of Hextar dated 28 May 2021
"Completion Date"	:	On or before 31 August 2021 or such other date to be mutually agreed between the parties
"Conditional Period"	:	Five (5) months from the date of the SSA
"Conditions Precedent"	:	Conditions precedent for the Proposed Acquisitions as set out under Appendix II, Section C of this Circular
"COVID-19"	:	Coronavirus Disease 2019
"CTSB"	:	Chempro Technology (M) Sdn Bhd [Reg. No: 198601007949 (157140-P)]
"CTSB Sale Share(s)"	:	1,050,014 CTSB Shares, representing 100% equity interest in CTSB
"CTSB Share(s)"	:	Ordinary shares in CTSB
"CTSB Vendors"	:	Tan Seio Beng, Cheok Viping and Wetacho

"Deposit"	:	Ringgit Malaysia thirteen million eight hundred thousand (RM13,800,000.00) only, being the deposit for the Purchase Price
"Eco Asia"	:	Eco Asia Capital Advisory Sdn Bhd [Reg. No: 201801022562 (1284581-H)] being the Independent Valuer for the Proposed Acquisitions
"EGM"	:	Extraordinary general meeting
"Entitlement Date"	:	A date to be determined and announced later by the Board, on which the names of the shareholders of the Company must appear in the Record of Depositors of the Company as at 5.00 p.m. in order to participate in the Proposed Bonus Issue
"Entitled Shareholder(s)"	:	Shareholders of Hextar whose names appear in the Record of Depositors of the Company on the Entitlement Date
"Extended Conditional Period"	:	Conditional Period may be extended for a further period of thirty (30) days
"F&B"	:	Food and beverage
"Founders"	:	Tan Seio Beng and Cheok Viping, collectively
"GP"	:	Guaranteed profit
"Guaranteed Profit Period"	:	3 years commencing 1 January 2021 and ending 31 December 2023
"EPS"	:	Earnings per Share
"FPE"	:	Financial period ended/ending, as the case may be
"FYE"	:	Financial year ended/ending 31 December, as the case may be
"Hextar" or "Company" or "Purchaser"	:	Hextar Global Berhad [Registration No. 199001014551 (206220-U)]
"Hextar Group" or "Group"	:	Hextar and its subsidiary companies
"Hextar Share(s)" or "Share(s)"	:	Ordinary share(s) in Hextar
"KHR"	:	Cambodian riel
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	4 May 2021, being the latest practicable date prior to the printing and despatch of this Circular
"M&A Securities" or "Principal Adviser"	:	M&A Securities Sdn Bhd [Reg. No: 197301001503 (15017-H)]
"Market Day(s)"	:	Any day from Mondays to Fridays (inclusive of both days), which is not a public holiday and on which Bursa Securities is open for trading of securities

"MCO"	:	Movement control order, commonly referred to as the MCO, a restriction imposed on the movement of people implemented as a preventive measure by the federal government of Malaysia in response to the COVID-19 pandemic in the country, and includes all its subsequent phases, being the conditional MCO ("**CMCO**"), recovery MCO ("**RMCO**"), enhanced MCO ("**EMCO**") and/or variations of these thereof
"MFRS"	:	Malaysian Financial Reporting Standards
"Minimum GP"	:	GP for each financial year which shall not be less than RM13.00 million being the PAT per annum for each consecutive year of the Guaranteed Period
"MPERS"	:	Malaysian Private Entities Reporting Standard
"Official List"	:	A list specifying all securities listed on the Main Market of Bursa Securities
"NA"	:	Net assets
"NAV"	:	Net asset valuation
"PAT"	:	Profit after tax
"PBT"	:	Profit before tax
"PCE"	:	Protek Chemicals & Engineering (B) Sdn Bhd (Incorporated in Brunei Darussalam) (AGO/RC/2833)
"PE"	:	Price to earnings
"Profit Guarantee"	:	Profit guarantee provided by the Vendors, whereby the Vendors irrevocably agrees, undertakes and covenants that the Acquiree Companies shall during the Guaranteed Profit Period achieve the Minimum GP and amounting to the Aggregate GP
"Proposals"	:	Collectively, the Proposed Acquisitions, the Proposed Bonus Issue and the Proposed Diversification
"Proposed Acquisitions"	:	Collectively, the Proposed AASB Acquisition and the Proposed CTSB Acquisition
"Proposed AASB Acquisition"	:	Proposed acquisition of AASB Sale Shares from AASB Vendors
"Proposed Bonus Issue"	:	Proposed bonus issue of up to 492,407,738 Bonus Shares, on the basis of 3 Bonus Shares for every 5 existing Hextar Shares held by the Entitled Shareholders on the Entitlement Date
"Proposed CTSB Acquisition"	:	Proposed acquisition of CTSB Sale Shares from CTSB Vendors
"Proposed Diversification"	:	Proposed diversification of the business activities of Hextar Group to include the business of manufacturing and distribution of specialty cleaning chemicals products such as latex polymers, coagulants, detergents, degreasers, chlorine sanitiser and others
"Protégé Associates"	:	Protégé Associates Sdn Bhd [Reg. No: 200401037256 (675767-H)]

"Purchase Price"	:	Ringgit Malaysia one hundred thirty eight million (RM138,000,000.00) only
"Record of Depositors" or "ROD"	:	A record of securities holders established and maintained by Bursa Depository under the rules of depository, as amended from time to time
"Retention Sum"	:	A sum not exceeding Ringgit Malaysia thirty nine million (RM39,000,000.00) to be retained from the Purchase Price as a security for the Profit Guarantee
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"Sale Shares"	:	AASB Sale Shares and CTSB Sale Shares
"SSA"	:	Conditional shares sale agreement entered into by the Company and the Vendors for the Proposed Acquisitions dated 8 March 2021
"USD"	:	United States Dollar
"Vendor(s)"	:	Collectively, the AASB Vendors and CTSB Vendors
"Wetacho"	:	Wetacho (M) Sdn Bhd [Reg. No: 198601009020 (158244-T)]
"5D-VWAMP"	:	5-day volume weighted average market price

For the purpose of this Circular, all references to a time of day shall be a reference to Malaysian time unless otherwise stated. In this Circular, words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine gender and vice versa. References to persons shall, where applicable, include corporations. Certain figures included in this Circular have been subject to rounding adjustments. References to "we", "us", "our" and "ourselves" are to our Company save where the context otherwise requires, our subsidiaries and to "you" or "your" are to the shareholders of the Company.

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EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSALS. YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE ENTIRE CONTENTS OF THIS CIRCULAR WITHOUT RELYING SOLELY ON THIS EXECUTIVE SUMMARY BEFORE VOTING ON THE ORDINARY RESOLUTIONS PERTAINING TO THE PROPOSALS AT THE FORTHCOMING EGM OF THE COMPANY.

Key information		Summary	Reference to Circular
Details of the Proposals	:	The Proposed Bonus Issue entails the issuance of up to 492,407,738 Bonus Shares, on the basis of 3 Bonus Shares for every 5 existing Hextar Shares held by the Entitled Shareholders on the Entitlement Date. The Proposed Acquisitions entails the acquisition by Hextar of the Sale Shares representing 100% equity interest in AASB and CTSB free from all encumbrances from the Vendors for a Purchase Price of RM138.00 million. Upon completion of the Proposed Acquisitions, the Acquiree Companies will be wholly-owned subsidiaries of Hextar. The Proposed Acquisitions represents an opportunity for the Group to venture into the business of manufacturing and distribution of specialty cleaning chemicals products such as latex polymer coatings, cleaning chemicals, chlorine sanitiser and others as it provides the Group with a prospect to diversify its earnings base. Upon completion of the SSA, the Board anticipates that the Proposed Acquisitions may potentially contribute 25% or more of the net profits of the Hextar Group and/or result in a diversion of more than 25% of the NA of the Hextar Group.	Section 2
Rationale for the Proposals	:	The Proposed Bonus Issue serves to reward the shareholders of the Company for their loyalty and continued support to Hextar Group. After due consideration of the various options available, the Board is of the view that the Proposed Bonus Issue is an appropriate avenue for Hextar to reward its shareholders while at the same time, to increase the Company's share base as the Proposed Bonus Issue will: (i) enable the existing shareholders of Hextar to have greater participation in the equity of the Company in terms of the number of Hextar Shares held, whilst maintaining their percentage of equity interest; (ii) encourage trading liquidity and marketability of Hextar Shares on Main Market of Bursa Securities via a larger share base which will promote diversity in investors' profiles to participate in the equity of the Company; and (iii) maintain the Company's reserves and total NA of the Company as the Proposed Bonus Issue will be implemented via the adoption of the enhanced bonus issue framework without capitalisation of the Company's reserves. In line with the Group's objective and strategy to deliver sustainable growth and value creation to the shareholders of	Section 3

Key information		**Summary**	**Reference to Circular**
		Hextar, the Proposed Acquisitions and Proposed Diversification will enable the Group to venture into the specialty cleaning chemicals industry where there is high demand from the glove makers, F&B retailers and caterers, food processors, hospitals, hotels and others. In addition, the Proposed Acquisitions comes with Profit Guarantee of RM39.00 million over 3 years which translates into PAT of RM13.00 million for each consecutive year from FYE 31 December 2021 to FYE 31 December 2023. As a result, this will create additional source of income for the Group and hence further strengthen the Group's financial performance and financial position which in turn create value for the shareholders of Hextar.	
Approvals required	:	The Proposals are subject to the following approvals: (i) Bursa Securities, for the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities pursuant to the Proposed Bonus Issue which was obtained vide its letter dated 19 May 2021; (ii) the shareholders of Hextar at the forthcoming EGM of the Company to be convened; and (iii) any other relevant authorities and/or parties, where required. The Proposed Acquisitions and Proposed Diversification are inter-conditional upon each other as to the approval of the shareholders' of Hextar. The Proposals are not conditional upon any other corporate proposals undertaken by Hextar.	Section 7
Parties involved and the element of conflict of interests	:	None of the Directors, major shareholders of the Company, Chief Executive and/or persons connected with them have any interest, direct and/or indirect, in the Proposals, other than their respective entitlements as shareholders of the Company for the Proposed Bonus Issue, the rights of which are also available to all other Entitled Shareholders. Save for the Proposed Acquisitions, Hextar and the Vendors have not entered into any transactions between themselves in the 12 months preceding the LPD.	Section 9
Directors' statements and recommendation	:	After considering all aspects of the Proposals, including but not limited to the rationale and benefit, justification of arriving at the Purchase Price, prospects for the Proposals and effects of the Proposals, the Board is of the opinion that the Proposals are in the best interest of the Hextar Group and its shareholders. Accordingly, the Board recommends that you vote in favour of the resolutions in relation to the Proposals to be tabled at the forthcoming EGM.	Section 10

HEXTAR GLOBAL BERHAD
[Registration No.: 199001014551 (206220-U)]
(Incorporated in Malaysia)

Registered Office:

Unit 30-01, Level 30
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

28 May 2021

Board of Directors:

Y.D.H. Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir *(Independent Non-Executive Chairman)*
Y. Bhg. Dato' Ong Soon Ho (*Non-Independent Non-Executive Vice Chairman*)
Y. Bhg. Dato' Eddie Ong Choo Meng *(Executive Director)*
Lee Chooi Keng *(Executive Director)*
Yeoh Chin Hoe *(Senior Independent Non-Executive Director)*
Liew Jee Min @ Chong Jee Min *(Independent Non-Executive Director)*

To: The Shareholders of Hextar

Dear Sir/Madam,

(i) PROPOSED BONUS ISSUE
(ii) PROPOSED ACQUISITIONS; AND
(iii) PROPOSED DIVERSIFICATION

1. INTRODUCTION

On 22 February 2021, M&A Securities had on behalf of the Board announced that Hextar proposes to undertake the Proposed Bonus Issue.

On 8 March 2021, M&A Securities had on behalf of the Board announced that Hextar had on 8 March 2021, entered into the SSA for the Proposed AASB Acquisition and Proposed CTSB Acquisition for a Purchase Price to be fully satisfied by cash.

On 19 May 2021, M&A Securities had on behalf of the Board, announced that Bursa Securities had vide its letter dated 19 May 2021, resolved to approved the listing of and quotation for up to 492,407,738 Bonus Shares to be issued pursuant to the Proposed Bonus Issue on the Main Market of Bursa Securities, subject to the conditions as set out in Section 7 of this Circular.

In conjunction with the Proposed Acquisitions, the Company intends to undertake the Proposed Diversification.

Further details of the Proposals are set out in the ensuing sections.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR AND THE APENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS

2.1 Details of the Proposed Bonus Issue

2.1.1 Basis and number of Bonus Shares

As at LPD, the issued share capital of Hextar is RM169,912,728 comprising 820,679,564 Hextar Shares. For avoidance of doubt, Hextar does not have any outstanding convertible securities as at the LPD. Based on the number of existing Hextar Shares as at the LPD, the Proposed Bonus Issue will entails the issuance of up to 492,407,738 Bonus Shares to the Entitled Shareholders.

The basis of 3 Bonus Shares for every 5 existing Hextar Shares was arrived at after taking into consideration the potential enhancement to the trading liquidity of Hextar Shares in the market given the adjustment to the share price as well as the increase in the number of Hextar Shares pursuant to the Proposed Bonus Issue.

The actual number of Bonus Shares to be issued pursuant to the Proposed Bonus Issue will depend on the total issued Shares of Hextar on the Entitlement Date.

In determining entitlements by the Entitled Shareholders under the Proposed Bonus Issue, fractional entitlements, if any, will be dealt with in such manner as the Board in its sole and absolute discretion deems fit and expedient, and in the best interest of the Company.

There will be an adjustment to the market price of Hextar Shares listed and quoted on the Main Market of Bursa Securities pursuant to the Proposed Bonus Issue as detailed under Section 2.1.3 of this Circular. The Proposed Bonus Issue will not be implemented on a staggered basis.

2.1.2 Capitalisation of reserves

The Bonus Shares in respect of the Proposed Bonus Issue will be issued as fully paid, at nil consideration and without capitalisation of the Company's reserves. For the avoidance of doubt, the Proposed Bonus Issue will increase the number of Hextar Shares but will not increase the value of issued share capital of Hextar.

2.1.3 Theoretical Ex-price

The Proposed Bonus Issue will result in an adjustment to the market price of Hextar Shares, as quoted on the Main Market of Bursa Securities, but will not have any impact on the total market value of Hextar Shares held by the Company's shareholders. For illustration purposes, based on the closing market price of Hextar Shares as at LPD, the theoretical ex-price of the Hextar Shares upon the completion of the Proposed Bonus Issue will be as follows:-

	Illustrative number of Hextar Shares	Closing market price/ theoretical ex-price per Hextar Share	Total value(iii)
		RM	RM
As at LPD	1,000	1.65000(i)	1,650
After the completion of the Proposed Bonus Issue	1,600	1.03125(ii)	1,650

Notes:

(i) Based on the closing market price of Hextar Shares as at the LPD.

(ii) The theoretical ex-price is calculated as follows:-

$$T = \frac{(P \times Y)}{Y + X}$$

$$T = 0\frac{1.6500 \ \times 1000}{1000 + 600}$$

$$T = 1.03125$$

Where:

T	=	Theoretical ex-price (RM)
P	=	Closing market price (RM)
Y	=	Holding of existing share (unit)
X	=	Bonus Share (unit)

(iii) The total value was arrived at by multiplying the number of Hextar Shares held with the closing market price or theoretical ex-price.

Pursuant to Paragraph 6.30(1A) of the Listing Requirements, the Board confirms that the share price of Hextar Shares adjusted for the Proposed Bonus Issue is not less than RM0.50 based on the daily VWAMP of Hextar Shares during the 3-month period up to and including 7 April 2021 (being the date immediately preceding the submission of the application to Bursa Securities) of RM1.1264 whereby the theoretical ex-bonus share price of Hextar Shares shall be approximately RM0.7040.

2.1.4 Ranking of the Bonus Share

The Bonus Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing Hextar Shares, save and except that the Bonus Shares shall not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared, made or paid, the entitlement date of which is prior to the date of allotment and issuance of the Bonus Shares.

2.1.5 Listing of and quotation for the Bonus Shares

Bursa Securities had vide its letter dated 19 May 2021, approved the listing of and quotation for up to 492,407,738 Bonus Shares to be issued pursuant to the Proposed Bonus Issue on the Main Market of Bursa Securities, subject to the conditions as set out in Section 7 of this Circular.

Upon obtaining all the necessary approvals, the Bonus Shares will be listed and quoted on the Main Market of Bursa Securities on the next market day after the Entitlement Date. The notices of allotment for the Bonus Shares will be issued and despatched to the Entitled Shareholders no later than 4 market days after the date of listing of and quotation for the Bonus Shares, or such other period as may be prescribed by Bursa Securities.

2.2 Details of the Proposed Acquisitions

2.2.1 Background information on the Proposed Acquisitions

The Proposed Acquisitions entails the acquisition by Hextar of the Sale Shares representing 100% equity interest in AASB and CTSB free from all encumbrances from the Vendors for the Purchase Price. Upon completion of the Proposed Acquisitions, the Acquiree Companies will be wholly-owned subsidiaries of Hextar.

As part of the terms of the SSA, the Vendors will provide the Profit Guarantee. The Vendors agree with the Purchaser to retain the Retention Sum from the Purchase Price as a security for the Profit Guarantee.

The Purchase Price shall be payable in the following manner:-

(i) upon the execution of the SSA, the Deposit shall be paid by the Purchaser to the Vendor's solicitors as stakeholder of the Vendors who are authorised to release the Deposit to the Vendors in the proportions as set out in the following table;

No.	Vendors	Deposit (RM)	Balance Purchase Price (RM)	Retention Sum (RM)	Total (RM)
1	Tan Seio Beng	4,421,823	27,299,953	12,496,457	44,218,233
2	Cheok Viping	904,587	5,584,842	2,556,442	9,045,871
3	Wetacho	7,236,770	44,679,186	20,451,740	72,367,696
4	Chan Kwei Ling	1,236,820	7,636,019	3,495,361	12,368,200
	TOTAL:	**13,800,000**	**85,200,000**	**39,000,000**	**138,000,000**

(ii) the Balance Purchase Price shall be paid by the Purchaser to the Vendor's solicitors as stakeholder of the Vendors on or before the Completion Date who are authorised to release the Balance Purchase Price to the Vendors in the proportions as set out in the table above; and

(iii) the Retention Sum shall be paid by the Purchaser to the Vendors in the manner set out under the provision of the Profit Guarantee as stipulated under Appendix II, Section (e) of this Circular.

The Proposed Acquisitions is subject to the terms and conditions of the SSA. Please refer to **Appendix II, III and IV** of this Circular for the salient terms of the SSA, information of AASB and information of CTSB, respectively.

2.2.2 Information on the Vendors

Tan Seio Beng and Chan Kwei Ling are the shareholders of AASB whereas Wetacho, Tan Seio Beng and Cheok Viping are the shareholders of CTSB.

Wetacho is an investment holdings company. Wetacho was incorporated in Malaysia on 15 December 1986 under the Companies Act 1965.

As at LPD, the issued share capital of Wetacho is RM1,800,024 comprising 1,800,024 ordinary shares. Save for the CTSB, Wetacho has no other subsidiaries or associated companies. The directors of Wetacho are Tan Seio Beng, Cheok Viping and Chan Kwei Ling.

As at LPD, the substantial shareholders of Wetacho, all of whom are Malaysians and their respective shareholdings are as follows:-

	<------------Direct------------->		<----------Indirect---------->	
Name	**No. of Wetacho Shares**	**%**	**No. of Wetacho Shares**	**%**
Tan Seio Beng	1,095,618	60.86	-	-
Cheok Viping	523,110	29.06	-	-
Total	**1,618,728**	**89.92**		

AASB

The original cost and date of investment by Tan Seio Beng and Chan Kwei Ling in AASB are as follows:-

Date of investment	No. of AASB Shares	Investment amount (RM)
14 Jul 1994	2	2
05 Dec 2007	98	98
29 May 2009	99,900	99,900
28 May 2020	400,000	400,000
Total	**500,000**	**500,000**

CTSB

The original cost and date of investment by Wetacho, Tan Seio Beng and Cheok Viping in CTSB are as follows:-

Date of investment	No. of CTSB Shares	Investment amount (RM)
28 Oct 1986	2	2
14 Oct 1987	150,000	150,000
21 Dec 2001	150,002	150,002
16 Dec 2009	150,002	150,002
15 Sep 2016	600,008	600,008
Total	**1,050,014**	**1,050,014**

Save for the 200,000 and 70,000 Hextar Shares held by Tan Seio Beng and Cheok Viping respectively as at 24 May 2021, the Vendors do not have any shareholdings in Hextar.

The Vendors are not connected to any Directors and/or substantial shareholders of Hextar.

2.2.3 Basis and justification on arriving at the Purchase Price

The Purchase Price was arrived at on a willing-buyer willing-seller basis, after taking into account the following:-

(i) the Profit Guarantee;

(ii) the historical financial performance of Acquiree Companies;

(iii) the rationale and benefit for the Proposed Acquisitions; and

(iv) the prospects, potential and growth of Acquiree Companies after taking into consideration the outlook and its future prospects as set out in Section 4 of this Circular.

The Purchase Price represents a PE multiple of approximately 10.62 times, based on the Purchase Price of RM138.00 million divided by Minimum GP of RM13.00 million.

The Board has appointed Eco Asia, an independent valuation firm to undertake a valuation on the Acquiree Companies and had taken into consideration the valuation report of Eco Asia as set out in Appendix I of this Circular in its entirety.

For the purpose of this valuation, Eco Asia made reference to the PE multiple as the primary valuation methodology and NAV as the secondary valuation methodology.

Eco Asia has conducted the analysis based on PE multiple of comparable companies involved in the trading and manufacturing of industrial chemicals which are listed on Bursa Securities. It should be noted that the selection of the comparable companies and the adjustment made are highly subjective and judgmental and that the selection of the comparable companies may not be entirely comparable to the Acquiree Companies due to various factors such as product market segment, client base, production process and technical know-how.

The details of the selected comparable companies are as follows:

Comparable Companies	**Principal Activities**	**Market Capital (RM' million)**
Luxchem Corporation Berhad ("**Luxchem**")	• Luxchem supplies and distributes industrial chemicals in four (4) major industries, namely polyvinyl chloride, rubber, latex and fiberglass reinforced plastic and coating; • Manufactures unsaturated polyester resin; and • Produce rubber latex chemical dispersion, latex processing chemicals, latex surfactant, dispersant and specialty chemicals for latex industry.	(1)981.9
Chemical Company of Malaysia ("**CCM**")	CCM specialises in producing the following chemicals and polymers: • Chlorine, hydrochloric acid, sodium hypochlorite and polyaluminium chloride are largely used in water treatment; • Calcium nitrate used in rubber making industry; and • Wide range of specialty chemicals to various industry such as rubber chemicals, food and pharmaceutical, industrial, health and hygiene and surface coating.	(2)516.5

Notes:

(1) As at LPD

(2) As at 9 February 2021, being the last trading day before CCM was delisted from Bursa Securities

The PE multiple of the comparable companies are as follow:

Comparable companies	[1] Closing market price (RM)	PAT (RM' million)	Issued shares (million)	PE multiple (times)
Luxchem	0.63	[3] 47.85	996.9	13.14
CCM	[2] 1.67	[4] 16.07	167.7	17.46
			Average	**15.30**

Notes:

(1) Taken into consideration the surged in market price for companies which are related to the rubber glove manufacturing industry due to the COVID-19 pandemic which resulted a significant increase in demand of rubber glove. Hence, Eco Asia adopted an average market price computed based on a simple average of the daily closing market price for the past 2 years up to LPD as better representative to derive at the PE multiple of respective comparable companies

(2) Based on note 1 above, the 2 years average market price of CCM is derived up to LPD, being the last trading day before CCM was delisted from Bursa Securities

(3) Based on Luxchem's announcement of the audited financial results as at 31 December 2020

(4) Based on latest audited report as at 31 December 2019

Based on the average PE multiple of the comparative companies and the GP provided by the Acquiree Companies, the estimated value of the Acquiree Companies is as follows:

	Amount (RM'000)
Minimum GP [1]	13,000
Multiply: Average PE multiple of comparable companies (times)	15.30x
	198,900
Less: Illiquidity discount (30%) [2]	(59,670)
Valuation	**139,230**

Notes:

(1) The Vendors undertake that the Acquiree Companies shall during the Guaranteed Profit Period achieve the Minimum GP and amounting to the Aggregate GP

(2) A factor which may have an impact on the valuation is the liquidity of the asset i.e., the extent in which the asset can be freely bought or sold. Generally, shares of non-listed companies are not freely tradeable as compared to public listed companies. Illiquidity discount typically ranges from 20% to 30% based on "Investment Valuation: Tools and Techniques for Determining the Value of Any Assets" by Aswath Damodaran. In the case of the Acquiree Companies, conservative approach is adopted in determining the illiquidity discount at 30% taking into consideration that the revenue of Acquiree Companies is smaller relative to the revenue of comparable companies

In addition, valuation based on NAV methodology conducted on the Acquiree Companies based on the unaudited 11-month FPE 30 September 2020 of AASB and unaudited 6-month FPE 30 September 2020 are as follows:

	Amount (RM'000)
CTSB	67,156
AASB	18,948
PCE	2,650
Total combined net asset	**88,754**
Add: Aggregate GP [1]	39,000
Adjusted Net Asset/Valuation	**127,754**

Note:

(1) The Vendors undertake that the Acquiree Companies shall during the Guaranteed Profit Period achieve the Minimum GP and amounting to the Aggregate GP

Based on the selected valuation methods, the values of the Acquiree Companies range from RM127.8 million to RM139.2 million as at LPD.

The Board is of the view that the Profit Guarantee is realistic, taking into consideration the historical performance such as the historical financial results of the Acquiree Companies as set out in Appendix IV and the favourable future prospects of specialty cleaning chemicals industry where the Acquiree Companies are operating in, as set out in the Sections 4.2 and 4.3 of this Circular. In the event the Profit Guarantee is not met, the Group shall be entitled to be reimbursed and deduct from the Retention Sum an amount equivalent to the shortfall.

2.2.4 Source of funding

The Purchase Price of RM138.00 million will be funded via internally generated funds and/or bank borrowings, the proportions will be determined later after taking into consideration the Group's gearing level, interest costs and cash reserves.

Assuming the Purchase Price is to be funded through RM100.00 million interest bearing bank borrowings, the proportions of the mode of settlement shall be in the following manner:

Mode of settlement	RM	%
Bank borrowings	100,000,000	72.46
Internal generated funds	38,000,000	27.54
	138,000,000	**100.00**

2.2.5 Liabilities to be assumed by Hextar

Save for the liabilities of Hextar arising from or in connection with the SSA, there are no other liabilities, including contingent liabilities and/or guarantees of Acquiree Companies to be assumed by Hextar pursuant to the Proposed Acquisitions.

The liabilities of the Acquiree Companies will not be settled prior to the completion of the Proposed Acquisition and will be settled by the Acquiree Companies in their ordinary course of business, details of which, based on the unaudited 11-month FPE 30 September 2020, are as follows:

AASB		**RM'000**
Bank borrowings		3,033
Trade and other payables		8,149
	SUB-TOTAL:	**11,182**
CTSB		
Bank borrowings		7,372
Trade and other payables		14,444
	SUB-TOTAL:	**21,816**
	TOTAL:	**32,998**

2.2.6 Additional financial commitment

There is no additional financial commitment required to put Acquiree Companies existing operations on-stream as Acquiree Companies are already in operation and generating stable income and cash flow.

2.3 Details of the Proposed Diversification

The Hextar Group is an investment holding company with subsidiaries principally involved in the trading and distribution of agrochemicals, manufacturing and trading of consumer products and agro-based technology. The Proposed Acquisitions represents an opportunity for the Group to venture into the business of manufacturing and distribution of specialty cleaning chemicals products such as latex polymer coatings, cleaning chemicals, chlorine sanitiser and other specialty cleaning chemicals products as it provides the Group with a prospect to diversify its earnings base.

The Group's revenue and segment profit/(loss) before tax from the respective business segments based on the audited consolidated financial statements of Hextar for the FYE 2020 are as follows:-

	Audited as at FYE 31 December 2020 (RM)
Revenue	
Investment holding[(1)]	132,956,604
Agriculture[(1)]	405,558,371
Consumer products[(1)]	37,814,041
Elimination	(157,686,519)
	418,642,497
Segment profit/(loss) before tax	
Investment holding[(1)]	124,084,440
Agriculture[(1)]	60,570,278
Consumer products[(1)]	(40,560)
Elimination	(127,926,054)
	56,688,104

Note:

(1) Before intra-group elimination

Upon completion of the SSA, the Board anticipates that the Proposed Acquisitions may potentially contribute 25% or more of the net profits of the Hextar Group and/or result in a diversion of more than 25% of the NA of the Hextar Group.

In accordance to Paragraph 10.13(1) of the Listing Requirements, Hextar must obtain the approval of its shareholders in a general meeting for any transaction or business arrangement which might reasonably be expected to result in either:-

(i) the diversion of 25% or more of the NA of the Group to an operation which differ widely from the operations currently carried on by the Group; or

(ii) the contribution from such an operation of 25% or more of the net profits of the Group.

The Acquiree Companies are expected to begin contributing to the net profit of the Group upon completion of the Proposed Acquisitions in the 2nd quarter of 2021, following which the financial results of the Acquiree Companies will be consolidated into the Group's financial statements.

In this regard, the Board is in the opinion that the Group is in the right time and ready to undertake the Proposed Diversification and therefore wishes to obtain the approval of the shareholders of Hextar for the Proposed Diversification pursuant to the Listing Requirements. If the Proposed Diversification is approved by the shareholders at the EGM, the Group will be subjected to new challenges and risks arising from the Proposed Diversification, which are set out in Section 5 of this Circular.

The Group will leverage on the experience and expertise of the existing management of the Acquiree Companies, namely Tan Seio Beng and Cheok Viping in managing the business. The profiles of Tan Seio Beng and Cheok Viping are set out as below:

Tan Seio Beng, aged 68, is the Managing Director of the Acquiree Companies and he oversees the day-to-day operations of the Acquiree Companies in particular the manufacturing and the research and development functions. He has been with CTSB for over 30 years since the establishment of CTSB in 1987.

Tan Seio Beng started his career with Chemical Industries (Malaya) Sdn Bhd in 1971 as a Process Technician after completing his secondary education. Subsequently, Tan Seio Beng moved into commercial role with intensive in-house and external training in 1973. Subsequently, he joined Diversey Wyandotte Sdn Bhd, a leading American multinational manufacturer of specialty cleaning chemicals and was then promoted to Sales Manager for Diversey (F.E) Pte Ltd in 1981. He left Diversey Wyandotte Sdn Bhd in 1987 and established CTSB.

Cheok Viping, aged 59, is the General Manager of the Acquiree Companies and he oversees the sales function of the Acquiree Companies. He has been with CTSB for over 30 years since the establishment of CTSB in 1987. He leads the sales and business development areas of the Acquiree Companies and he has been instrumental in maintaining and developing new key customer relationship for the Acquiree Companies.

Cheok Viping started his career with Diversey Wyandotte Sdn Bhd as Sales Executive in 1982 upon graduating from Malaysian Higher School Certificate (STPM). Thereafter, he joined CTSB in 1988 as a Technical Sales Executive and later was promoted as a Sales Supervisor. He was then appointed as National Sales Manager in the sales department in 1994 where he was involved in growing and expanding the business operations, which included the setting up of all branches across Malaysia and overseas. In 2017, he was promoted to General Manager.

While there will be an execution of management contracts between the Acquiree Companies and each of Tan Seio Beng and Cheok Viping of which the contract period has not been determined with effect from the Completion Date or the extended Completion Date, as the case may be, on terms and conditions mutually agreed with Hextar, there can be no assurance that the existing management of the Acquiree Companies will continue their employment with the Acquiree Companies following the expiry of the management contracts period. The Group will strive to retain them by offering competitive employees remuneration packages and incentives (including medical insurance).

To ensure a smooth transition in the case of the existing management of the Acquiree Companies decided to retire following the expiry of the management contracts period, the responsibility shall be taken over by the existing management team of Hextar comprising senior management staffs with more than 30 years of experience in chemicals industry, supported by the existing management of the Acquiree Companies. The existing management team of Hextar will collaborate with the existing management of the Acquiree Companies to create a solid business continuity plan and perform business analysis in which the operation mission will be outlined and the steps to be taken to ensure the continuity of the business of the Acquiree Companies can be executed.

To ensure long term sustainability of the businesses of the Acquiree Companies, in line with the Group's Strategic Human Capital Development plan, the Group will continuously develop industry competent personnel and to ensure that the succession planning for all key positions are in place. The Group recognises the great value of employees input to the business and the Group is continuously engaging and improving its ability to attract, retain and increase satisfaction of the employees by offering competitive employees remuneration packages, incentives (including medical insurance), employee engagement (including Corporate Social Responsibility programs and sports events) as well as career growth (including training and development).

Notwithstanding the Proposed Diversification, the Board intends to continue with the Group's existing business.

3. RATIONALE FOR THE PROPOSALS

3.1 Proposed Bonus Issue

The Proposed Bonus Issue serves to reward the shareholders of the Company for their loyalty and continued support to Hextar Group.

After due consideration of the various options available, the Board is of the view that the Proposed Bonus Issue is an appropriate avenue for Hextar to reward its shareholders while at the same time, to increase the Company's share base as the Proposed Bonus Issue will:

(i) enable the existing shareholders of Hextar to have greater participation in the equity of the Company in terms of the number of Hextar Shares held, whilst maintaining their percentage of equity interest;

(ii) encourage trading liquidity and marketability of Hextar Shares on Main Market of Bursa Securities via a larger share base which will promote diversity in investors' profiles to participate in the equity of the Company; and

(iii) maintain the Company's reserves and total NA of the Company as the Proposed Bonus Issue will be implemented via the adoption of the enhanced bonus issue framework without capitalisation of the Company's reserves.

3.2 Proposed Acquisitions and Proposed Diversification

Hextar Group is one of the major agrochemical companies out of approximately 55 agrochemical companies in Malaysia based on the internal market study done by the management of the Group. Hextar Group has more than 30 years of experience involved in entire supply chain of the agrochemical businesses from research and development to manufacturing and distribution.

In line with the Group's objective and strategy to deliver sustainable growth and value creation to the shareholders of Hextar, the Proposed Acquisitions and Proposed Diversification will enable the Group to venture into the specialty cleaning chemicals industry where there is high demand from the glove makers, F&B retailers and caterers, food processors, hospitals, hotels and others.

In addition, the Proposed Acquisitions comes with Profit Guarantee of RM39.00 million over 3 years which translates into PAT of RM13.00 million for each consecutive year from FYE 31 December 2021 to FYE 31 December 2023. As a result, this will create additional source of income for the Group and hence further strengthen the Group's financial performance and financial position which in turn create value for the shareholders of Hextar.

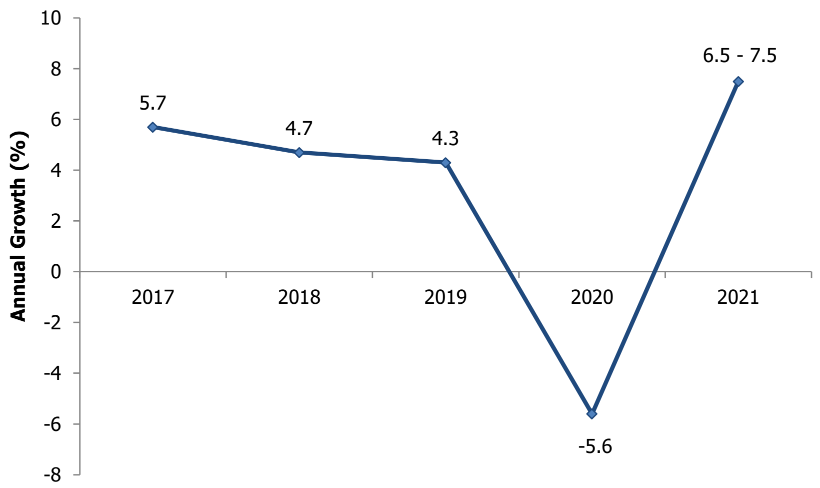
The Board is of the view that the specialty cleaning chemicals business segment has good growth prospects, given the favourable outlook and prospects of the industry, as set out in Section 4 of this Circular. Hence, the Proposed Acquisitions will be the right opportunity for Hextar to tap into the growing specialty cleaning chemicals industry and further strengthen the Group's foothold in the chemicals industry. The Proposed Diversification is also in line with the strategy and expansion plans of the Group's management.

4. OVERVIEW, OUTLOOK AND PROSPECTS

4.1 Overview and prospects of the Malaysian economy

The Malaysian economy contracted by 5.6% in its real gross domestic product ("**GDP**") in 2020, due to the COVID-19 pandemic which began in December 2019 and has caused a significant economic slowdown in many countries including Malaysia. Figure 1-1 depicts Malaysia's real GDP at 2015 prices from 2017 to 2021.

Figure 1-1: Malaysia's Real GDP, 2017-2021



*(Source: Quarterly Bulletin for 4th Quarter of 2020 by Bank Negara Malaysia ("**BNM**") dated 11 February 2021)*

On a closer look, all major economic sectors experienced pandemic-driven declines in 2020 as a result of different phases of domestic containment measures implemented by the Malaysia Government to curb the spread of COVID-19.

Figure 1-2 depicts the performance of key economic sectors in Malaysia for the year 2019 and 2020.

Figure 1-2: The Malaysian Economic Performance by Sector, 2019 and 2020

Sector	Change (%)	
	2019	2020
Services	6.1	-5.5
Manufacturing	3.8	-2.6
Mining	-2.0	-10.0
Construction	0.1	-19.4
Agriculture, forestry and fishery	2.0	-2.2

(Source: BNM)

The services sector contracted by 5.5% in 2020, due to the enforcement of a nationwide restrictive MCO that led to the restrictions imposed for domestic travel and closure of international borders. The restrictions had affected the tourism activity and weak consumer sentiments, as seen in the significant declines in wholesale and retail trade, accommodation, transport and storage as well as F&B sub-sectors.

The manufacturing sector declined by 2.6% in 2020, due to subdued local and international demand. Manufacturing activity across all industries was curtailed during the MCO periods and to operate with stringent standard operating procedures including reduced capacity to ensure sufficient social distancing measures at workplaces. Nevertheless, positive growth was observed in the electrical and electronics industry, in particular for semiconductors, due to resumption of production for backlog of orders which partially offset by the weakness in consumer-cluster.

The mining sector declined by 10.0% in 2020, largely attributed to lower production of crude oil and natural gas as well as closure of oil and gas facilities for maintenance. The agriculture sector on the other hand, contracted by 2.2% due to labour shortages as well as deteriorating weather conditions towards the end of the year which led to lower harvesting activities in oil palm production. The decline is also weighed down by the continued weakness in the rubber, forestry and logging as well as fisheries sub-sectors.

The construction sector recorded a larger contraction in 2020 at -19.4%, mainly affected by labour shortage, disruptions in supply of construction materials, construction site shut down due to COVID-19 outbreaks, and interruptions in progress of selected work packages particularly in the civil engineering and residential sectors. Nonetheless, the decline was offset by positive growth in the special trade sub-sector following support from small-scale projects under the PRIHATIN Rakyat Economic Stimulus Package.

Given the significant rise in COVID-19 cases seen throughout Malaysia, the Malaysian Government imposed the second MCO ("**MCO 2.0**") from 13 January 2021 to 26 January 2021 in several states, which was subsequently extended to 5 March 2021. The growth of the local economy is projected to improve from the second quarter of 2021, driven by the recovery in global demand, turnaround in public and private sectors expenditures and continued support from policy measures and economic stimulus measures such as the PENJANA short-term economic recovery plan, the PRIHATIN Rakyat Economic Stimulus Package together with PRIHATIN Supplementary Initiative Package, the Budget 2021, the Malaysian Economic and Rakyat Protection Assistance Package (PERMAI) and the Rakyat and Economic Strategic Empowerment Programme (PEMERKASA). The Malaysian economy is expected to register a positive recovery of 6.5% to 7.5% in 2021. Nonetheless, the downside risks to the growth outlook stem from the uncertainties surrounding the spread of the COVID-19 pandemic, the duration of containment measures around the world as well as challenges that may affect the COVID-19 vaccination programme both globally and domestically.

(Source: Independent market research report by Protégé Associates dated 4 May 2021)

4.2 Overview of specialty cleaning chemicals industry in Malaysia

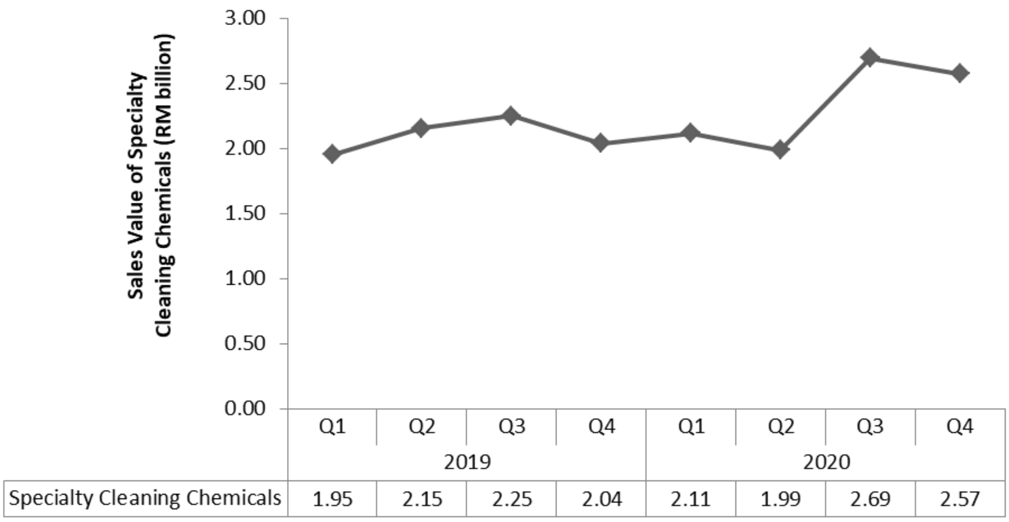
The specialty chemicals industry is one of two broad categories in the chemicals industry, the other being commodity chemicals. Whilst commodity chemicals are produced in large quantities and can be used for a diverse range of applications, specialty chemicals are usually manufactured in smaller quantities and have one or two core applications.

Specialty chemicals are manufactured for their performance and function and they can be single-chemical entities or formulations whose composition alters the performance of the end product. Specialty chemicals are produced to serve specific industries or for specific functions. Examples of specialty chemicals include oilfield chemicals used in the oil and gas industry, food additives in the F&B industry, and specialty cleaning chemicals for industrial and commercial cleaning purposes. The global specialty chemicals industry was estimated to be valued at USD721.06 billion in 2019 and is projected to grow at a compound annual growth rate ("**CAGR**") of 4.9% to USD957.30 billion in 2027.

Specialty cleaning chemicals include products such as soaps, detergents, degreasers, as well as sanitizers and disinfectants and are used during routine cleaning of surfaces, stains, fabrics, and machinery and equipment. They can be made from petroleum products and oleochemicals, which in Malaysia, can be derived from abundant crude oil, as well as palm oil and palm kernel oil. Specialty cleaning chemicals are utilised by a wide range of end-user markets such as the manufacturing, F&B, and hospitality sectors. The chemicals help to ensure that strict hygiene and safety standards are met and to prevent diseases or contamination of products.

The specialty cleaning chemicals industry (in terms of sales value) in Malaysia stood at RM9.37 billion in 2020, an increase of 11.5% from RM8.39 billion in 2019. As seen in the figure below, the specialty cleaning chemicals industry recorded sales value of RM2.11 billion in the first quarter of 2020 ("**1Q2020**") before decreasing to RM1.99 billion in the second quarter of 2020 ("**2Q2020**"). This was in part due to lockdown measures implemented by the Malaysian Government to curb the spread of COVID-19 in the country. The measures meant that non-essential businesses were not allowed to operate and people in Malaysia were required to follow stay-at-home orders, while international and interstate travel was prohibited. Essential businesses such as those involved in food supply and healthcare and medical services were eligible to operate albeit with a limited number of personnel and with approval from the Ministry of International Trade and Industry ("**MITI**"). Manufacturers of essential goods were required to temporarily halt their operations prior to receiving approval from MITI to resume operations. Various tourism-related businesses such as accommodation and F&B services saw a decline in patrons due to stay-at-home orders and prohibition of dine-in services. As various end-users of specialty cleaning chemicals were either not operating or operating at a lower capacity during the lockdown period, there was a decreased demand of such chemicals.

Figure 2-1: Sales Value of Specialty Cleaning Chemicals in Malaysia



(Source: Department of Statistics, Malaysia)

The specialty cleaning chemicals industry rebounded in the third quarter of 2020 ("**3Q2020**") as lockdown measures were eased and people were allowed to resume social and entertainment activities. These include travelling interstate and domestic tourism activities, albeit under strict standard operating procedures ("**SOPs**") on hygiene and sanitisation to ensure that patrons are less likely to contract and spread the virus. The return of such activities led to increasing demand for specialty cleaning chemicals in Malaysia. The COVID-19 pandemic has led to a surging demand for cleaning and disinfectant products due to increased awareness of sanitation and cleanliness to curb the spread of the virus in addition to the normal standards of hygiene and sanitation in areas such as manufacturing, F&B, and hospitality. The specialty cleaning chemicals industry is forecast to grow from RM9.47 billion in 2020 at a CAGR of 8.8% to RM14.29 billion in 2025.

End-users of Specialty Cleaning Chemicals

(i) Rubber Glove Manufacturers

Rubber glove manufacturers are a major end user of specialty cleaning chemicals. Malaysia is a leading rubber glove manufacturer in the world, accounting for around 60% of global exports. Major rubber glove manufacturers include Top Glove Corporation Berhad, Supermax Corporation Berhad, and Hartalega Holdings Berhad. In addition to being used in the healthcare sector, rubber gloves are also commonly used in various other sectors such as F&B, manufacturing, and hospitality. Specialty cleaning chemicals are used by rubber glove manufacturers to clean and sanitise glove formers during the manufacturing process. The chemical cleaners may be acidic, alkali, or chlorine-free. It is important to ensure that the glove formers are free of any dirt or debris in order to prevent any defects such as holes or tears on the final product. It is also important to ensure that the glove formers are sanitised when producing disposable rubber gloves such as medical examination gloves or food handling gloves to prevent any contamination of the gloves.

In light of the COVID-19 pandemic, there has been an increased emphasis on keeping the workplace clean in order to prevent the spread of the virus and further spikes of positive cases. As an essential service provider, rubber glove manufacturers continued to operate during the various lockdown periods and they were subject to strict SOPs implemented by the Malaysian Government. Such SOPs include sanitising the production floor before shift changes; sanitising common areas such as lobbies, lifts, and canteens; and providing hand sanitizers throughout the premises. As such, there has been increased usage of specialty cleaning chemicals by the rubber glove manufacturers to comply with the imposed SOPs and to safeguard the health of their employees.

The COVID-19 pandemic has also led to rubber glove manufacturers increasing their production capacity and output whilst other businesses in the country started to produce rubber gloves in order to meet the surging global demand. As a result, 102,592 million pairs of rubber gloves were manufactured in 2020, a significant increase of 85.2% from 55,404 million pairs in 2019.

(ii) F&B Establishments

Establishments that are involved in the processing, preparation, packaging, and sale of F&B products and services are required to comply with food safety standards outlined in The Food Act 1983 and The Food Hygiene Regulation 2009 to control the hygiene and safety of food sold in the country in order to protect public health. The said act and regulation stipulate provisions to ensure the premises are hygienic; that food handlers maintain personal hygiene to avoid contamination; and cleaning and sanitizing machinery and equipment used for food.

Food processors use a variety of specialty cleaning chemicals during the processing of food such as sanitizers and disinfectants for fruits and vegetables, cleaners and sanitizers for machinery and equipment, degreasers for removing oil and grease, as well as general purpose cleaners to clean the premises. F&B establishments also use a variety of specialty cleaning chemicals in their operations including those previously listed. They also use detergents and stain removers for tableware and silverware, and hand soaps and sanitizers for employees and patrons.

Manufacturing of F&B recorded sales value of RM248.92 billion in 2020, an increase of 8.0% from RM230.44 billion in 2019. In the services sector, F&B establishments recorded revenue of RM56.43 billion in 2020, a 21.6% decrease from RM72.01 billion in 2019. Although F&B establishments were allowed to operate during the various lockdown periods, dine-in services were prohibited or limited to a fixed number of patrons due to social distancing measures, which adversely affected the revenue of the F&B services sub-sector. F&B manufacturing and F&B services were allowed to operate throughout the various lockdown measures as they were considered essential services. However, similar to rubber glove manufacturers, they are subject to strict SOPs to limit the spread of the virus such as sanitising of production floors, sanitising common and high-traffic areas, and providing hand sanitizers for employees and patrons. These measures are likely to increase the demand for specialty cleaning chemicals in F&B manufacturing and F&B services.

(iii) Hospitality Establishments

The hospitality sector is also an end-user of specialty cleaning chemicals, where accommodation services sub-sector utilise specialty cleaning chemicals such as general purpose cleaners, detergents for laundry, degreasers, stain and soil removers, as well as sanitizers and disinfectants. This is to ensure that the environment for their patrons is clean and hygienic, which has become imperative in light of the COVID-19 pandemic. The accommodation services sub-sector in Malaysia has been adversely affected by the pandemic in 2020 due to the restrictions on international travel as well as prohibition of interstate travel. The sub-sector recorded revenue of RM6.44 billion in 2020, a marked decrease of 53.3% from RM13.79 billion in 2019.

In 1Q2020, the sub-sector was active and registered revenue of RM3.18 billion, when international and interstate travel was allowed. In 2Q2020, lockdown measures began and the combination of prohibiting international and interstate travel as well as stay-at-home orders saw activity in the sub-sector decline, and it only recorded revenue of RM0.59 billion. Lockdown measures were eased towards the end of 2Q2020 in response to declining COVID-19 cases in the country which led to a recovery of the sub-sector, as it registered revenue of RM1.46 billion in 3Q2020. However, Malaysians were encouraged to follow stay-at-home orders again in 4Q2020 in response to rising COVID-19 cases, which led to a decrease of 16.9% in revenue generated during the quarter.

Despite varying stages of lockdown measures imposed in different states around the country, the Malaysian Government has shown its commitment in supporting the tourism industry including the accommodation services sub-sector. The most recent economic package, Rakyat and Economic Strategic Empowerment Programme ("**PEMERKASA**"), would include new initiatives and extend existing initiatives to aid businesses in the tourism and retail industries. Domestic tourism has also been promoted, with many hotels and airlines offering packages and promotions to domestic tourists. The gradual recovery of the tourism industry is likely to lead to an increased demand for specialty cleaning chemicals from businesses involved such as those in the accommodation services sub-sector.

<u>Demand Conditions (2021-2025)</u>

(i) Increased Awareness of Hygiene and Cleanliness

The COVID-19 pandemic has led to an increased awareness of hygiene and cleanliness. In order to avoid contracting the virus, people are encouraged to wash their hands or use hand sanitizers frequently and avoid touching their face. People were also encouraged to frequently sanitise and disinfect high-traffic areas in public spaces in order to curb the spread of the virus. The increased awareness of transmission of infectious diseases has led to changing behaviours in terms of hygiene and cleanliness whereby more importance has been placed on maintaining a clean and safe environment. This is likely to lead to growth in the usage of specialty cleaning chemicals due to increased frequency of use, thus driving the demand for specialty cleaning chemicals. Although vaccination programmes have begun in Malaysia and other countries, the increased awareness of hygiene and sanitation and changed behaviours will continue to drive the demand for specialty cleaning chemicals during the forecast period.

(ii) Increased Demand from Rubber Glove Manufacturers

Rubber glove manufacturers have seen an increased demand for their products due to the COVID-19 pandemic. As the world's leading supplier of rubber gloves, Malaysian rubber glove manufacturers had to ramp up production while other companies diversified to begin producing rubber gloves in order to meet global demand. As a result of the strong demand, there were 102,592 million pairs of rubber gloves manufactured in Malaysia in 2020, representing a significant increase of 85.2% from 55,404 million pairs in 2019. According to the Malaysian Rubber Council, export revenue from the rubber gloves industry stood at RM35.3 billion in 2020, an increase of 103% from the year before.

In addition, the Malaysian Rubber Glove Manufacturers Association ("**MARGMA**") estimates that the current global shortage of rubber gloves could continue until 2023. MARGMA also estimated that there would be a shortage of rubber gloves in 2021 as the demand is anticipated to reach 500 billion pairs while production is only likely to reach 420 billion pairs. Malaysia is expected to supply 280 billion of the increased demand.

The continued demand for rubber gloves will positively affect the rubber glove manufacturing industry, which in turn augurs well for the specialty cleaning chemicals industry as such chemicals are used to clean and sanitise the glove formers during the manufacturing process.

(iii) Increased Awareness of Food Safety

The provisions provided under The Food Act 1983 and The Food Hygiene Regulation 2009 are intended to protect the public from health hazards as well as fraud arising from the preparation, sale, and use of food. Not only do proprietors and owners of food premises have to establish a food safety assurance programme, but they also have to ensure that food handlers undergo appropriate training for safe food handling and processing. Food premises also have to ensure that storage and food preparation areas are cleaned and disinfected after being used. Food processors are encouraged to implement Good Manufacturing Practices ("**GMP**") which identifies principles of food hygiene and safety within food processing to ensure that the food is processed in a hygienic environment and it is suitable for human consumption. Obtaining GMP certification can help to improve the public's trust in the brand.

Cases of product recalls from contamination as well as food poisoning cases leading to death have made the public more aware of the need for stringent food hygiene and safety. Failure to comply with The Food Act 1983 and The Food Hygiene Regulation 2009 will likely subject the proprietors and owners to a fine or imprisonment. The increased awareness of food hygiene and safety standards in Malaysia will likely increase the demand for specialty cleaning chemicals.

(iv) Future Growth of Food Processing Industry

The food processing industry in Malaysia is important as it ensures food security for the nation as well as highlighting the wide range of different foods from various cultures in the country. Malaysia has ample land and water resources that can be used for agriculture and animal husbandry to ensure a sufficient food supply for its people. The country has achieved self-sufficiency in several basic foodstuffs including several fruits and vegetables, chicken eggs, and seafood such as shrimp and cuttlefish. However, Malaysia still relies on imports of basic items such as rice, dairy products, and meat. The Malaysian Government has identified new directions for the agriculture industry in order to improve the country's self-sufficiency on additional food items as well as developing high-value vegetable and fruit commodities for the domestic and export market. The COVID-19 pandemic has also shown that supply chains of food may be disrupted, thus highlighting the importance of attaining self-sufficiency.

The food processing industry has seen a strong performance in terms of attracting investments. In 2020, the industry saw RM5.1 billion in investments approved, compared to RM3.4 billion in 2019. A total of 111 projects were approved in 2020, with 63 new projects and 48 diversification/ expansion projects. The food processing industry is likely to grow in tandem with the agriculture industry as the food produced must be processed accordingly to ensure that it is safe for the public's consumption. Coupled with the increasing importance on achieving GMP status and ensuring that the food is safe for consumption, the growing food processing industry is likely to increase the demand for specialty cleaning chemicals for the forecast period.

(v) Return of Domestic Tourism Activities in Malaysia

When lockdown measures were eased in the middle of 2020, the Malaysian Government lifted the prohibition on interstate travel as well as tourism and leisure activities throughout the country, under the requirement of compliance with strict SOPs. To assure travellers of hygiene and safety standards at hotels and resorts, the Malaysian Association of Hotels launched the "Clean & Safe Malaysia" certification programme that is in compliance with local and international regulatory requirements. The programme, which is supported by the Ministry of Tourism, Arts and Culture ("**MOTAC**"), aims to reassure travellers that the appropriate measures have been taken to ensure their health and safety. Measures include frequent cleaning and sanitizing of high-traffic and common areas, providing hand sanitizers throughout the premises, as well as applying a seal on the room door after it has been thoroughly cleaned for the next guest.

The rising COVID-19 cases in the country at the start of 2021 resulted in the Malaysian Government implementing lockdown measures and prohibiting interstate travel again. Since then, several states have shown low numbers of COVID-19 cases and they have seen lockdown measures eased. In an effort to assist the tourism and travel sectors, the Government has introduced interstate travel between states that are in the RMCO for tourism activities. Travellers from RMCO states will be allowed to travel to other RMCO states but only through registered tourism operators. Additionally, MOTAC has introduced the "Cuti-Cuti Malaysia Travel Wish 2021" competition drum up interest in domestic tourism once all interstate travel restrictions are lifted.

The gradual return of tourism activities are expected to lead to a demand for specialty cleaning chemicals as accommodation facilities are expected to comply with regulations on for the health and safety of their employees and guests.

<u>Supply Conditions (2021-2025)</u>

(i) Availability of Crude Palm Oil and Crude Oil

Malaysia possesses an abundance of natural resources such as palm oil, palm kernel oil, and oil and gas reserves. The table below shows that Malaysia has consistently produced large amounts of crude palm oil and crude palm kernel oil over the past few years. These products can be refined and processed to produce oleochemical derivatives such as fatty esters, fatty amines, and metallic soaps which can be used as raw materials in the production of specialty cleaning chemicals. The Malaysian palm oil industry is a key sub-sector of Malaysia's primary sector and it has contributed to the country's economic growth in the past and it remains a strong contributor despite Malaysia's industrialisation.

Figure 3-1: Production of Selected Oil Palm Products, 2016-2020

	Production (tonnes)				
	2016	**2017**	**2018**	**2019**	**2020**
Crude Palm Oil	17,319,177	19,919,331	19,516,141	19,858,367	19,140,613
Crude Palm Kernel Oil	1,959,423	2,280,913	2,299,985	2,322,184	2,203,313

(Source: Malaysian Palm Oil Board)

The abundance of oil reserves in the country and establishment of the petroleum products including petrochemicals industry in the country has also contributed to the country's economic growth over the years. Malaysia is able to produce over 600,000 barrels of crude oil per day. The figure below shows the production of crude oil including lease condensate in Malaysia from 2016 to 2020. In addition to producing oil, Malaysia has also established downstream activities to refine oil and produce various petroleum products and petrochemicals. The petrochemicals can then be used as raw materials to produce specialty cleaning chemicals.

Figure 3-2: Production of Crude Oil Including Lease Condensate, 2016-2020

	Production (barrels/day)				
	2016	**2017**	**2018**	**2019**	**2020**
Crude Oil Including Lease Condensate	666,934	647,915	652,805	604,296	541,017

(Source: United States Energy Information Administration)

The constant supply of oleochemicals and petrochemicals in Malaysia bodes well for the supply of specialty cleaning chemicals. Producers of specialty cleaning chemicals are unlikely to experience a shortage of raw materials and would be able to constantly produce the specialty cleaning chemicals.

(ii) Fluctuation in Crude Palm Oil and Crude Oil Prices

Crude palm oil and crude oil are both commodities that are affected by global supply and demand. The specialty cleaning chemicals industry is subject to fluctuations in crude palm oil and crude oil prices as their derivatives such as oleochemicals and petrochemicals are used as raw materials of specialty cleaning chemicals. An increase in crude palm oil and crude oil prices may lead to disruptions in business operations and lower profit margins for specialty cleaning chemical producers. Producers may not be able to pass on the increased cost to their customers. If they are able to pass on the increased cost, there may be a delay between the increased cost of raw materials and the producers' ability to raise prices of their products. The ever-changing supply and demand conditions that affect the price of crude palm oil and crude oil affects the price of raw materials used in production of specialty cleaning chemicals and may affect the supply of such chemicals during the forecast period.

(iii) Improving Sustainability and Developing Green Products

In 2015, all member states of the United Nations adopted the Sustainable Development Goals ("**SDGs**") as a call to action to achieve a better and more sustainable future for all. Companies can achieve the SDG of responsible consumption and production by improving the efficient use of resources and reusing and recycling products where applicable. This can be done by investing in research and development to utilise more renewable bio-based resources and to develop products that efficiently uses resources with minimal waste. Consumers are also more aware of green products due to concerns about the environment and are likely to look for products that align with their values. By prioritising and conducting research and development on green products and improving sustainability, companies are likely to gain advantages for the long-term. They will be able to develop new green products while also reducing costs and waste and meeting needs of eco-conscious consumers. These new developments are expected to lead to growth of the specialty cleaning chemicals industry in the future.

(iv) Increasing Usage of Technology and Automation

The disruption brought upon by the COVID-19 pandemic has led to recessions in various economies around the world. The situation is likely to force businesses to develop innovative ideas and business models in order to reduce costs and remain in operation. Improvements in technology have enabled businesses to interact with customers through digital means such as e-mails and video conferencing calls. Social distancing measures implemented to curb the spread of COVID-19 have led to an increase in remote working and limiting in-person contact when dealing with customers. Companies are becoming more able to interact with customers remotely through digital channels as well as using e-commerce to provide an efficient way for customers to purchase their products. Advancements in technology over the years have also made it easier to integrate automation into various manufacturing processes, thereby increasing production efficiency and improving product quality while decreasing costs. Increasing usage of technology and automation is likely to change the way specialty cleaning chemicals producers operate, and is likely to lead to more development in the industry in the future.

(Source: Independent market research report by Protégé Associates dated 4 May 2021)

4.3 Outlook of specialty cleaning chemicals industry in Malaysia

The specialty cleaning chemicals industry (in terms of sales value) grew by 11.5% from RM8.39 billion in 2019 to RM9.37 billion in 2020 despite the economic challenges posed by COVID-19 pandemic. During the 1Q2020, the sales of specialty cleaning chemical totalled to RM2.11 billion, registering a 3.4% growth from the 4Q2019. However, the Government's imposition of lockdown measures in March 2020 to curb the spread of COVID-19 had led to closure of non-essential businesses while those providing essential products and services were allowed to continuing operating. As a result of this, the sales of specialty cleaning chemical decreased by 5.7% in 2Q2020 due to lower demand of specialty cleaning products from F&B and hospitality establishments. During 3Q2020 and 4Q2020, most economic sectors were allowed to reopen and interstate travels were permitted, which saw increased in tourism activities and recovery of the F&B services and accommodation services sub-sectors. Given the need to comply with strict SOPs including frequent sanitation of common areas and premises, and proving hand sanitizers for employees and patrons, demand for specialty cleaning chemicals has increased in tandem. As a result, sales of specialty cleaning chemicals in 3Q2020 and 4Q2020 increased by 35.2% and 29.1% respectively from 2Q2020.

Continued demand for specialty cleaning chemicals is expected to come from the use of such chemicals by a wide range of end-users, namely rubber glove manufacturers, F&B processors, F&B service providers, and those in hospitality establishments. Rubber glove production is expected to increase due to strong global demand for rubber gloves. As rubber glove manufacturers utilise specialty cleaning chemicals to clean and sanitise the glove formers prior to manufacturing, the increased production is expected to drive the demand for such chemicals. Increased hygiene and safety SOPs for COVID-19 to curb the spread of the virus in addition to already stringent standards for F&B processing and F&B services to ensure that food produced is safe for consumption is also expected to increase demand for specialty cleaning chemicals during the forecast period. As lockdown measures ease, domestic tourism is expected to resume. The strict SOPs on hygiene for accommodation services sub-sector are in place to assure travellers of their safety when staying at the premises, which is anticipated to drive the demand for specialty cleaning chemicals.

On the supply side, growth of the specialty cleaning chemicals industry is expected to be driven by the availability of raw materials, improving sustainability and development of green products, and increased usage of technology and automation. Malaysia is a strong producer of crude palm oil and crude oil owing to the abundance of natural resources. Derivatives of the oils are commonly used as raw materials in the production of specialty cleaning chemicals. The increased awareness of sustainability goals and environmentally-friendly products is likely to drive innovation and development of green products, while use of technology and automation can help the industry serve consumers better. However, fluctuation in crude palm oil and palm oil prices may affect the performance of the industry as higher prices may lead to lower profit margins.

Despite the challenges posed by the COVID-19 pandemic, the demand for specialty chemicals is expected to be resilient due to increased awareness and necessity of hygiene and safety measures. Rubber gloves will continue to be in demand due to the on-going pandemic and global immunisation efforts. The accommodation and F&B sub-sectors are expected to use a larger amount of specialty chemicals for cleaning and disinfecting purposes as required by stringent SOPs to curb the spread of the virus. In light of this, Protégé Associates expects the outlook for the specialty chemicals industry to be resilient throughout the forecast period of 2021 to 2025. The industry (in terms of sales) is projected to grow at a CAGR of 8.8% from RM9.47 billion in 2020 to RM14.29 billion in 2025.

(Source: Independent market research report by Protégé Associates dated 4 May 2021)

4.4 Overview, prospects and future plans of the Group post Proposed Acquisitions

Acquiree Companies are involved in business of manufacturing and distribution of specialty cleaning chemicals products while Hextar Group is principally involved in the manufacturing and distribution of agrochemicals. Both organisations are one of the major players in their respective chemicals sector and bringing years of expertise in the field of chemicals manufacturing and distribution.

The Proposed Acquisitions will enable Hextar Group to expand its business activities while tap upon the opportunities in the growing specialty chemicals industry. The consolidation of Acquiree Companies is expected to contribute positively towards Hextar Group's revenue and earnings upon the completion of the Proposed Acquisitions.

Currently, Hextar Group does not have any plan or intention to undertake any major changes to the existing businesses and operations of Acquiree Companies unless such changes are necessary to rationalise or streamline the business operation of Acquiree Companies in order to improve the use of resources, staff productivity and operational efficiency. These may include any expansions, diversification of business, mergers, consolidations or disposal of assets. The Group intends to expand the customer base of the Acquiree Companies within 24 months upon completion of the Proposed Acquisitions. The Group intends to increase its marketing and sales efforts by promoting the specialty cleaning chemicals products of Acquiree Companies, amongst others, collaboration with oversea agents for chemicals product, and participating in international chemicals products trade exhibitions and events. The Group anticipates to incur up to RM1.00 million for the expansion plan of the Acquiree Companies and the expenditures will be financed via internally generated funds. Notwithstanding the above, Hextar Group intends to have the flexibility to consider any options and opportunities, as and when they arise, as may deem fit and in the best interests of the Acquiree Companies.

The existing businesses and management of the Group are expected to continue to operate as usual and remain intact and continue as a going concern post-completion of the acquisition, save for the necessary improvements required pursuant to any to rationalisation and/or streamlining as mentioned below:

(i) **<u>Adoption of more effective cost management measures</u>**

The Group will closely monitor the volatility of raw materials prices and regularly review the cost structure as well as to take effective measures to control our overhead costs and expenses of our manufacturing segment. Further, the Group will also carry out cost rationalisation exercises for our manufacturing segment in order to reduce costs pertaining to staff related expenses, office and administrative expenses.

(ii) **<u>Maintain close collaborations, and strengthen the relationship with customers</u>**

The Group will embark on the digital platforms to stay connected with its customers during the COVID-19 pandemic period. The Group will continue to realise its business objectives by having close collaborations, and strengthening the partnership with its customers, whilst studying changes in consumer needs and preferences.

(iii) **<u>Expanding customer base</u>**

The Group intends to further broaden its customer base by increasing its marketing and sales efforts, including but not limited to, collaboration with oversea agents for chemicals product, and participating in international chemicals products trade exhibitions and events to promote Hextar Group’s products.

<u>Impact of the COVID-19 on the Group</u>

Despite the outbreak of COVID-19, the Group manages to increase its sales by 24.12% from RM337.28 million in FYE 2019 to RM418.64 million in FYE 2020. The Group gross profit margin increased by 11.49% from 19.50% in FYE 2019 to 21.74% in FYE 2020. The Group was able to secure sufficient inventories to operate without disruption from the COVID-19 lockdown impact.

The management has assessed the impact on the Group and of the opinion that there were no material financial impacts arising from the pandemic. Nevertheless, the Group has taken and will continue to take necessary steps to safeguard and preserve its financial condition, emphasising on liquidity management to meet its continuing financial commitments and liquidity needs.

(Source: Management of Hextar)

5. RISK FACTORS

The risk factors associated with the Proposed Acquisitions and Proposed Diversification, which are by no means exhaustive, are as follows:

(i) Non-completion of the Proposed Acquisitions

The completion of the Proposed Acquisitions is subject to, among others, the fulfilment of the Conditions Precedent of the SSA. The Proposed Acquisitions may not be completed if any of the Conditions Precedent cannot be fulfilled and/or waived, as the case may be, within the stipulated timeframe. Any delay in the fulfilment of the Conditions Precedent may lead to a delay in the completion and/or termination of the Proposed Acquisitions.

To mitigate such risk, the Company will take reasonable steps to ensure and/or procure that the Conditions Precedent of the SSA are fulfilled within the stipulated timeframe and that every reasonable effort is made to fulfil the Conditions Precedent in order to complete the Proposed Acquisitions in timely manner.

(ii) Economic, political and regulatory risks as well as outbreak of disease

The prospects and profitability level of Acquiree Companies may be affected by any development in the economic, political and regulatory environment of Malaysia. Political and economic uncertainties include (but are not limited to) changes in general economic, business and credit conditions, Government legislation and policies affecting foreign investors, inflation, interest rates, fluctuation in foreign exchange rates, political or social development, methods of taxation and the occurrence of force majeure events or circumstances which are beyond the control of the Group, for instances, natural disasters as well as outbreak of diseases (such as the recent COVID-19 pandemic). The ongoing COVID-19 pandemic has an adverse impact on the local economy whereby local businesses have not been able to operate as usual during the MCO period.

The Group will endeavour to ensure that it will continue to adopt effective measures such as prudent financial management and efficient management procedures to manage these risks. However, there can be no assurance that changes in one or more of these factors which are beyond the control of the Group, will not materially affect the financial and business performance of Acquiree Companies.

(iii) Risk of not achieving Profit Guarantee

While the Board has taken reasonable steps to assess the achievability of the Profit Guarantee, there can be no assurance that the Profit Guarantee will be met.

To mitigate this risk, the Group is entitled to retain the Retention Sum in the manner as prescribed in the Appendix II, Section (e) of this Circular, where in the event the PAT is less than the Profit Guarantee, the Group shall be entitled to be reimbursed and deduct from the Retention Sum an amount equivalent to the shortfall. However, there is no guarantee that the Retention Sum will be sufficient to make good any shortfall between the Profit Guarantee and the PAT achieved by Acquiree Companies during the Profit Guarantee period.

(iv) Investment risk

Although the inclusion of Acquiree Companies is expected to contribute positively to the earnings of the Group, there is no guarantee that the expected benefits from the Proposals will materialise or that the Group would be able to generate sufficient returns from Acquiree Companies to offset the associated cost of investment.

The Board will exercise due care in considering the potential risks and benefits associated with the Proposals, and the Board believes that the Proposals will be value accretive and synergistic to the enlarged Group, after taking into consideration among others, the prospects of Acquiree Companies.

(v) Dependence on key personnel of the Acquiree Companies

The financial and business performance of the Acquiree Companies is dependent to a certain extent on the skills, abilities, experience and competencies of its key operation personnel managing the business. There can be no assurance that the loss of any key operation personnel through the possibility of resignation without suitable and timely replacement would not affect the financial and business performance.

The Board intends to retain the permanent staff of the Acquiree Companies to ensure that there is continuity in the management of Acquiree Companies and that there is no disruption to the day to day operations and business. The Founders, agree to remain in the employment of the Acquiree Companies and the Acquiree Companies agree to employ them during the Guaranteed Profit Period subject to the terms of the management contract to be entered into between each Founders and the Acquiree Companies.

(vi) Business diversification risk

The Proposed Diversification would result in the diversification of the Group's core business to include the business of manufacturing and distribution of specialty cleaning chemicals products. The Group will then be subjected to the new challenges and risks inherent in such new business, including amongst other, competition from other competitors in the market, supply and demand condition, impact by changes in economic, political and social conditions. There can be no assurance that the anticipated benefits of the Proposed Diversification will be realised which will in turn enhance the Group's financial performance.

The Group seeks to mitigate the risk by leveraging on the competency of the existing key management team with vast experience in the industry, including the Founders.

(vii) COVID-19 pandemic

The Acquiree Companies' businesses are susceptible to any outbreak of diseases or pandemics, such as COVID-19, to certain extent that it causes interruptions to the business operations including supply chain and logistic. These interruptions, if prolonged, will adversely affect the Acquiree Companies' business operations and financial performance. Similarly, any global or regional economic downturn would also affect overall business and consumer sentiments which would subsequently affect the financial performance of the Acquiree Companies.

Nonetheless, the Acquiree Companies mainly involved in the manufacturing and distribution of specialty cleaning chemicals products which are considered as essential goods, having lower elasticity of demand as compared to non-essential goods. During the MCO period, the Acquiree Companies was able to continue its operations as such operations fall under the purview of essential services, while still observing strict operating procedures. Since the Acquiree Companies was able to operate its business as usual during the MCO period, the Acquiree Companies' overall operation and financial performance was not materially adversely affected by the COVID-19 and the MCO.

However, there could be no assurance that any outbreak of diseases which are beyond the Acquiree Companies' control, will not materially affect the financial performance of the Acquiree Companies.

(viii) Financing and interest rate risk

The Group intends to fund the Purchase Price via internally generated funds and/or external borrowings.

The Group's ability to arrange for external financing and the cost of such financing are dependent on various factors, including general economic and debt capital market conditions, interest rates, credit availability from financial institutions and Hextar Group's financial position.

The Group could potentially be exposed to fluctuations in interest rates on financing obtained, leading to higher borrowing costs that may adversely affect the Group's future operations and financial performance, as well as our ability to service future loan repayment obligations.

Nevertheless, the Board endeavours to continuously monitor and review Hextar Group's capital structure, gearing, cash flows and debt commitments.

(ix) Competition risk

The Group may face competition from existing competitors and/or new entrants operating in similar business relating to specialty cleaning chemicals products, from both local and regional specialty cleaning chemicals business operators.

Nevertheless, the Group will continue to take proactive measures to remain competitive in this business by inter-alia, constantly keeping abreast with the latest market conditions, and continuing efforts in maintaining a competitive edge in terms of cost and operational efficiency throughout its value chain (i.e. from manufacturing to trading of specialty cleaning chemicals products) as well as product quality. However, there can be no assurance that the Group will be able to compete effectively with the existing and new entrants in similar business relating to the specialty cleaning chemicals business in the future which may affect the Group's financial performance.

6. EFFECTS OF THE PROPOSALS

6.1 Share capital

The Proposed Acquisitions and Proposed Diversification will not have any effect on the issued share capital of the Company as it does not entail any issuance of new ordinary shares in the Company.

The pro forma effects of the Proposed Bonus Issue on the issued share capital of Hextar are as follows:

	No. of Shares	RM
Share capital as at LPD	820,679,564	169,912,728
To be issued pursuant to the Proposed Bonus Issue	492,407,738	-
Enlarged issued share capital	**1,313,087,302**	**169,912,728**

6.2 Substantial shareholders' shareholdings

The Proposed Acquisitions and Proposed Diversification will not have any effect on the issued share capital and substantial shareholders' shareholdings of the Company as it does not entail any issuance of new ordinary shares in the Company.

The Proposed Bonus Issue will not have any effect on the shareholdings percentage of the substantial shareholders of Hextar as the Proposed Bonus Shares will be allotted on a pro-rata basis to all the Entitled Shareholders. However, the number of Hextar Shares held by the Entitled Shareholders will increase proportionately pursuant to the Proposed Bonus Issue. The pro forma effects of the Proposed Bonus Issue on the substantial shareholders' shareholdings are as follows:

	As at LPD				**After Proposed Bonus Issue**			
	Direct		**Indirect**		**Direct**		**Indirect**	
Substantial shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Hextar Holdings Sdn Bhd	513,758,264	62.60	-	-	822,013,222	62.60	-	-
Dato' Ong Soon Ho	-	-	(i) 513,758,264	62.60	-	-	(i)822,013,222	62.60
Dato' Ong Choo Meng	31,238,500	3.81	(i) 513,758,264	62.60	49,981,600	3.81	(i)822,013,222	62.60

Note:

(i) Deemed interested by virtue of his shareholding in Hextar Holdings Sdn Bhd

6.3 NA and gearing

For illustration purposes only, based on Hextar latest audited consolidated financial statements for FYE 31 December 2020, the proforma effects of the Proposals on the consolidated NA and gearing of Hextar are shown below:

	Audited as at 31 December 2020	(I) After the Proposed Bonus Issue	(II) After (I) and the Proposed Acquisitions and Proposed Diversification
	RM'000	**RM'000**	**RM'000**
Share capital	169,913	169,913	169,913
Revaluation reserve	7,405	7,405	7,405
Retained profits	22,477	(i)22,352	(iii)21,852
Shareholders' funds/ NA	**199,795**	**199,670**	**199,170**
Non-controlling interests	1,472	1,472	1,472
Total Equity	**201,267**	**201,142**	**200,642**
No. of Shares	820,679,564	(ii)1,313,087,302	1,313,087,302
NA per Share (RM)	0.24	0.15	0.15
Borrowings	58,901	58,901	(iv)(v)(vi)168,845
Gearing (times)	0.29	0.29	0.85

Notes:

(i) After deducting estimated expenses of RM125,000 for the Proposed Bonus Issue

(ii) Based on issuance of 492,407,738 new Hextar Shares pursuant to the Proposed Bonus Issue

(iii) After deducting estimated expenses of RM500,000 in relation to the Proposed Acquisitions and Proposed Diversification

(iv) Based on AASB latest audited borrowings of RM3,272,881 for the financial year ended 31 October 2019

(v) Based on CTSB latest audited borrowings of RM6,670,500 for the financial year ended 31 March 2020

(vi) Assuming RM100.00 million of the Purchase Price is funded through interest bearing borrowings

6.4 Earnings and EPS

The Proposed Bonus Issue is not expected to have any material effect on the earnings of the Group. However, the EPS will correspondingly be diluted as a result of the increase in the number of issued Hextar Shares pursuant to the Proposed Bonus Issue.

The actual impact of the Proposed Acquisitions and Proposed Diversification on the consolidated earnings and EPS of Hextar moving forward will depend on, among others, the market and industry conditions and the successful integration of the operations of Acquiree Companies into Hextar. Nevertheless, the Proposed Acquisitions are expected to be earnings accretive and to contribute positively to the future earnings of the Hextar Group immediately upon completion.

For illustration purposes only, based on Hextar latest audited consolidated financial statements for FYE 31 December 2020, the pro forma effects of the Proposals on the earnings and EPS of the Group, assuming that the Proposals had been completed at the beginning of the financial year, is as follows:

		(I)	(II)
	Audited 31 December 2020 RM'000	**After the Proposed Bonus Issue RM'000**	**After (I) and the Proposed Acquisitions and Proposed Diversification RM'000**
PAT	44,484	44,484	44,484
Add: Contribution from the Proposed Acquisitions(iii)(iv)	-	-	14,224
PAT of Hextar Group	**44,484**	**44,484**	**58,708**
Less: Estimated expenses for the Proposals (which are non-recurring in nature)	-	(i)(125)	(i)(v)(625)
Pro forma PAT of Hextar Group	**44,484**	**44,359**	**58,083**
Number of shares in issue	820,679,564	(ii)1,313,087,302	1,313,087,302
EPS (sen)	**5.42**	**3.38**	**4.42**

Notes:

(i) Estimated expenses of RM125,000 for the Proposed Bonus Issue

(ii) Based on issuance of 492,407,738 new Hextar Shares pursuant to the Proposed Bonus Issue

(iii) Based on AASB latest audited borrowings of RM3,272,881 for the financial year ended 31 October 2019

(iv) Based on CTSB latest audited borrowings of RM6,670,500 for the financial year ended 31 March 2020

(v) Estimated expenses of RM500,000 in relation to the Proposed Acquisitions and Proposed Diversification

6.5 Convertible securities

As at the LPD, the Company does not have any convertible securities.

6.6 Dividends

Hextar currently does not have a dividend policy.

Future dividends payable would depend on inter-alia, the future financial performance of Hextar and its cash availability taking into consideration its working capital requirements, capital expenditure and business expansion plans.

7. APPROVALS REQUIRED

The Proposals are subject to the following approvals:

(i) Bursa Securities, for the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities pursuant to the Proposed Bonus Issue which was obtained vide its letter dated 19 May 2021, and is subject to the following conditions:

No.	Conditions	Status of compliance
1.	Hextar and M&A Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Bonus Issue;	To be complied
2.	Hextar and M&A Securities are required to inform Bursa Securities upon the completion of the Proposed Bonus Issue;	To be complied
3.	Hextar and M&A Securities are required to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Bonus Issue is completed;	To be complied
4.	Hextar is required to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders at a general meeting for the Proposed Bonus Issue; and	To be complied
5.	Hextar is required to make the relevant announcements pursuant to Paragraphs 6.35(2)(a)&(b) and 6.35(4) of the Listing Requirements in relation to the Proposed Bonus Issue	To be complied

(ii) the shareholders of Hextar at the forthcoming EGM of the Company to be convened; and

(iii) any other relevant authorities and/or parties, where required.

The Proposed Acquisitions and Proposed Diversification are inter-conditional upon each other as to the approval of the shareholders' of Hextar but not inter-conditional with the Proposed Bonus Issue.

The Proposals are not conditional upon any other corporate proposals undertaken by Hextar.

8. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisitions pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 69.07%, computed based the Purchase Price compared with the NA of Hextar as at 31 December 2020. The computation was based on the audited consolidated financial statements for the financial year ended 31 December 2020.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED TO THEM

None of the Directors, major shareholders of the Company, Chief Executive and/or persons connected with them have any interest, direct and/or indirect, in the Proposals, other than their respective entitlements as shareholders of the Company for the Proposed Bonus Issue, the rights of which are also available to all other Entitled Shareholders.

Save for the Proposed Acquisitions, Hextar and the Vendors have not entered into any transactions between themselves in the 12 months preceding the LPD.

10. DIRECTORS' STATEMENTS AND RECOMMENDATION

After considering all aspects of the Proposals, including but not limited to the rationale and benefit, justification of arriving at the Purchase Price, prospects for the Proposals and effects of the Proposals, the Board is of the opinion that the Proposals are in the best interest of the Hextar Group and its shareholders.

Accordingly, the Board recommends that you vote in favour of the resolutions in relation to the Proposals to be tabled at the forthcoming EGM.

11. ADVISER

M&A Securities has been appointed as the Principal Adviser for the Proposals.

12. OUTSTANDING PROPOSALS ANNOUNCED BUT PENDING IMPLEMENTATION

Save for the Proposals (which is subject matter of this Circular), the Board confirms that there is no other outstanding corporate proposal which has been announced but not yet completed as at the date of this Circular.

13. ESTIMATED TIMEFRAME FOR COMPLETION

Barring unforeseen circumstances and subject to all required approvals being obtained as well as fulfilment and/or waiver of all Conditions Precedent detailed in the SSA, the Proposals are expected to be completed in the 2nd quarter of 2021.

The details of the tentative timeline are set out below:

Tentative timeline	Events
14 June 2021	▪ EGM
Mid-June 2021	▪ Announcement of Entitlement Date
End-June 2021	▪ Entitlement Date
End-June 2021	▪ Listing and quotation for the Bonus Shares on the Main Market of Bursa Securities ▪ Completion of the Proposals

14. EGM

The EGM, notice of which is enclosed in this Circular, will be held entirely through live streaming from the Broadcast Venue at No. 64, Jalan Bayu Laut 4/KS09, Kota Bayuemas, 41200 Klang, Selangor, Malaysia ("**Broadcast Venue**") on Monday, 14 June 2021 at 10,00 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing the resolutions to give effect to the Proposals.

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Act and Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia which require the Chairman of the meeting to be present at the main venue of the meeting.

Members/proxies/corporate representatives **will not be allowed to attend the EGM in person at the Broadcast Venue** on the day of the meeting. Members are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "**participate**") remotely at the EGM via RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("**Share Registrar**", "**Tricor**" or "**TIIH**") via its **TIIH Online** website at https://tiih.online. Please refer to the "Procedures for RPV" provided in the Administrative Details for the EGM for further information on how to participate remotely via RPV.

If you decided to appoint proxy(ies) to attend, participate, speak and vote at the EGM, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions printed therein to the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not later than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof.

The proxy appointment may also be lodged electronically via Tricor's **TIIH Online** website at https://tiih.online **no later than 12 June 2021 at 10.00 a.m.** For further information on the electronic lodgement of the Proxy Form, kindly refer to the Administrative Details for the EGM. The lodging of the Form of Proxy will not preclude you from attending and voting remotely at the meeting if you subsequently wish to do so.

15. FURTHER INFORMATION

Please refer to the Appendix IX set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board of Directors of
HEXTAR GLOBAL BERHAD

Y.D.H. DATO' SRI DR. ERWAN BIN DATO' HAJI MOHD TAHIR
Independent Non-Executive Chairman

ECOASIA

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Tel : 03-7971 1822
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4 May 2021

The Board of Directors
Hextar Global Berhad
64, Jalan Bayu Laut 4/KS09
Bandar Bayuemas
41200 Klang
Selangor

Dear Sirs,

VALUATION REPORT ON CHEMPRO TECHNOLOGY (M) SDN BHD ("CTSB") AND ALPHA AIM (M) SDN BHD ("AASB") (COLLECTIVELY KNOWN AS "ACQUIREE COMPANIES")

1. INTRODUCTION

This report has been prepared for inclusion in the circular to shareholders of Hextar Global Berhad ("**Hextar**") in relation to the Proposed Acquisition of the Acquiree Companies ("**Proposed Acquisition**") ("**Circular**").

On 8 March 2021, Hextar had entered into a Share Sale Agreement ("**SSA**") with the shareholders of CTSB and AASB (collectively known as "**Vendors**") to acquire 100% equity interest in the Acquiree Companies for a purchase consideration of RM138.0 million ("**Purchase Consideration**") to be satisfied via cash. Upon completion of the Proposed Acquisition, the Acquiree Companies will become wholly-owned subsidiaries of Hextar.

This valuation report ("**Report**") set out the description of the Acquiree Companies which is the subject of the valuation, scope of the valuation, method of valuation preferred, key basis and assumptions on which the valuation is performed, our valuation and limitations thereon.

This Report must be read in conjunction with the limitation and restrictions as set out in paragraph 3 and 4 respectively and the key basis and assumptions of the valuation set out in paragraph 6.4 below.

2. SOURCE OF INFORMATION

In carrying out the valuation, we have relied on the following information and documents provided to us by the management of CTSB and AASB ("**Management**").

(i) Audited report of CTSB for the financial year ended ("**FYE**") 31 March 2020 and AASB for FYE 31 October 2019;

(ii) Management accounts of CTSB and AASB for the financial period ended ("**FPE**") 30 September 2020;

(iii) Representation and discussion with Hextar and the Management;

(iv) Various documents and information made available to us during the course of our discussion with Hextar and the Management; and

(v) Other publicly available data and information.

3. SCOPE AND LIMITATION OF REVIEW

Eco Asia was not involved in the formulation of the Proposed Acquisition or any deliberation and negotiation on the terms and conditions of the Proposed Acquisition. Our role as the independent valuer does not extend to us expressing an opinion on the commercial merits of the Proposed Acquisition. The assessment of the commercial merits of the Proposed Acquisition is solely the responsibility of Hextar, although we may draw upon their views in arriving at our valuation. As such, where comments or points of consideration are included on matters, which may be commercially oriented, these are incidental to our overall valuation and concern matters, which we may deem material for disclosure. Further, our terms of reference do not include us rendering an expert opinion on legal, accounting and taxation issues relating to the Proposed Acquisition.

The valuation is valid only for the Valuation Date and for the purpose specified herein. Our work includes holding discussions with certain officers and making enquiries from Hextar and the Management regarding representations embodied in the operations and financial position of the Acquiree Companies. In performing our valuation, we rely on Hextar and the Management's oral and written representations and in no event shall we, our partners, principals, directors, shareholders, agents or employees be liable for any misrepresentations by Hextar and the Management.

Our procedures and inquiries do not include any verification work that constitutes an audit on the information that we have relied upon in preparing this Report. Accordingly, we issue no warranty or any other form of assurance as to the accuracy or completeness of the information provided by the Management.

As part of the SSA, the Vendors irrevocably agrees, undertakes and covenants that the Acquiree Companies shall from 1st January 2021 until 31st December 2023 (the "**Guaranteed Profit Period**") achieve a guaranteed profit after taxation ("**GP**") of not less than RM13.0 million for each financial year consecutively and derive an aggregate GP of RM39.0 million over the Guaranteed Profit Period. Eco Asia, in no way, guarantee or otherwise warrant the achievability of the guarantee profit.

It should be noted that the valuation in itself is highly dependent on, amongst others, prevailing economic, market and other conditions which may change significantly over a relatively short period of time. No representation or warranty, whether expressed or implied, is given by Eco Asia that the information and documents provided will remain unaltered subsequent to the issuance of this Report.

It should also be highlighted that the valuation may be materially or adversely affected should the actual results or events differ from any of the basis and assumptions upon which the valuation was based. As such, the adoption of such basis and assumptions does not imply that we warrant their validity or achievability.

4. RESTRICTIONS

This Report is prepared strictly and solely for Hextar's internal management use and is not intended for general circulation and cannot be disclosed or referred to, in whole or in part, in any document other than for the inclusion in the Circular in relation to the Proposed Acquisition. Accordingly, we shall not be responsible or liable for any losses or damages as a result of reliance by any party contrary to the provision set out in this Report or our Engagement Letter.

Save for the purpose stated herein, this Report cannot be relied upon by any party other than Hextar. Accordingly, we are not responsible or liable for any form of losses however occasioned to any third party as a result of the circulation, publication, reproduction or used of, or reliance on this Report, in whole or in part.

Neither Eco Asia nor any of its partners, principals, directors, shareholders, agents or employees undertake responsibility arising in any way whatsoever to any person other than Hextar in respect of this Report, including any error or omission therein, however caused. We are under no obligation to update our Report in respect of any events or information that come to our attention subsequent to the Valuation Date as disclosed in paragraph 6.2 below.

5. BACKGROUND INFORMATION

5.1 Information on CTSB

CTSB was incorporated in Malaysia on 28 October 1986 under the Companies Act, 1965. CTSB is principally involved as a general agent and trader in institutional and industrial chemicals.

The issued share capital of CTSB is RM1.05 million comprising of 1.05 million ordinary shares in CTSB. The subsidiaries of CTSB and their principal activities are as follows:

Name	Effective equity interest (%)	Principal Activities
Protek Chemicals & Engineering (B) Sdn Bhd (**"PCE"**)	100.0	Retailer of specialised cleaning and sanitising chemicals and other related services.
Cambodian Chempro Co., Ltd [(1)]	100.0	Retailer of specialised cleaning and sanitising chemicals and other related services in Cambodia.

Note:

[(1)] To be disposed for RM250,000 to third party pursuant to the conditions in the SSA

Summary of the group financial information of CTSB for the past 3 audited financial years up to the FYE 31 March 2020 and the company level financial information of CTSB and PCE for the unaudited 6-months FPE 30 September 2020 are set out below: -

	Audited FYE 31 March			Unaudited FPE 30 September 2020		
	2018	2019	2020	CTSB	PCE	Aggregate[(1)]
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	104,922	111,579	113,448	48,589	1,154	49,742
Gross profit	44,702	44,320	49,667	20,380	606	20,986
Profit before tax	13,250	8,694	14,607	6,898	176	7,074
Profit after tax	9,597	5,019	11,224	6,898	176	7,074
Share capital	1,050	1,050	1,050	1,050	303	-
Net Asset ("NA")	70,740	73,811	75,695	67,156	2,650	-
NA per share (RM)	65	70	72	64	9	-
Earnings per share (RM)	9.1	4.8	10.7	6.6	0.6	-

Note:

(1) Sum of CTSB and PCE company level management account to reflect the aggregate number of group level financial information of CTSB.

5.2 Information on AASB

AASB was incorporated in Malaysia on 14 July 1994 under the Companies Act, 1965. AASB is principally involved in the manufacturing and trading industrial chemicals detergent and related products.

The issued share capital of AASB is RM0.5 million comprising of 0.5 million ordinary shares in AASB.

Summary of the financial information of AASB for the past 3 audited financial years up to the FYE 31 October 2019 and the unaudited 11-months FPE 30 September 2020 is set out below: -

	Audited FYE 31 October			Unaudited FPE 30 September 2020
	2017	2018	2019	2020
	RM'000	RM'000	RM'000	RM'000
Revenue	57,902	62,503	58,287	53,601
Gross profit	6,127	5,743	5,657	6,458
Profit before tax	4,755	5,125	4,174	5,032
Profit after tax	3,357	4,035	3,000	5,032
Share capital	100	100	100	500
Net Asset ("NA")	17,981	22,016	24,016	18,948
NA per share (RM)	180	220	240	38
Earnings per share (RM)	34	40	30	10

6. VALUATION

6.1 Basis of Valuation

The basis of our valuation is the fair market value which is defined as the arms' length price at which such assets would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell, in an open and unrestricted market and both having reasonable knowledge of relevant facts. The concept of market value means the cash equivalent price of an asset being valued assuming the transaction took place under conditions existing at the date of valuation of the assets. The amount would not be considered market value if it was influenced by special motivations or characteristic of a typical buyer or seller.

In addition, the range of values that we have estimated is based on going concern use and not, for example, the break-up value of the business.

6.2 Date of Valuation

The date of valuation is 4 May 2021 ("**Valuation Date**" or Latest Practicable Date **"LPD"**).

6.3 Method of Valuation

There are various approaches in carrying out a valuation, the commonly used and accepted methods include Net Asset Valuation ("**NAV**") / Revalued Net Asset Valuation ("**RNAV**"), Price Earnings Multiples ("**PE**") and Discounted Cash Flow ("**DCF**").

For the purposed of this valuation, we have selected the PE method as the primary valuation methodology as it takes into account reasonable estimate of multiples or premiums that others have paid for similar companies. The PE method is preferred as this is more likely to reflect the current sentiment of the market.

In addition, we have also taken into consideration the NAV method as the secondary valuation methodology as it provides a base value of the business. No revaluation was done to reflect the market value of properties owned by the Acquiree Companies as all properties will be carved out as part of the conditions for the Proposed Acquisition. Hence, RNAV method was not considered.

6.4 Key Basis and Assumptions of the Valuation

The key basis and assumptions adopted in the valuation are as follows:

(i) The unaudited management accounts as at 30 September 2020 provided to us reflect the true and fair view of the financial position and performance of the Acquiree Companies and do not reflect any material bias:

(ii) There will be no material changes in the principal activities, group structure, key management personnel, operating policies, accounting and business policies presently adopted by the Acquiree Companies. There will be continuity in responsible ownership and competent management with respect to the operation of the business;

(iii) There will be no material changes to the prevailing economic, political and market conditions in Malaysia and elsewhere that will have direct or indirect effects on the activities and performance of the Acquiree Companies and the business of the Acquiree Companies' major customers and suppliers;

(iv) There are no undisclosed actual or contingent assets or liabilities, including but not limited to any contracts and/or off-balance sheet financial instruments, no unusual obligation or commitment other than in the ordinary course of business, nor any pending litigations which would have material effects on the financial position and performance of the Acquiree Companies now or in the future;

(v) That the valuation has been carried out on the basis that the Acquiree Companies will continue to be going concern. It is assumed that the current operations and activities of the Acquiree Companies will continue and the valuation has not taken into account any future developments and/ or potential business ventures the Acquiree Companies may undertake:

(vi) There will not be any material changes in the present legislation, government regulation, inflation rates, interest rates, foreign exchange rates, base and rates of taxation, and other lending guidelines which will affect the business operation of the Acquiree Companies;

(vii) There will be no major industrial disputes or other abnormal factors which will adversely affect the planned operations of the Acquiree Companies; and

(viii) There will be no material adverse effect from service disruptions, equipment or network breakdowns or other similar occurrences, wars, epidemic, terrorist attacks and other natural risks, both domestic and foreign, which will adversely affect the operations, income and expenditure of the Acquiree Companies.

Please note that the valuation is highly dependent on, amongst others, the achievability of the financial performance as well as the materialisation of the basis and assumptions used in arriving the valuation. We wish to highlight that the valuation may be materially or adversely affected in the event if the actual results or events differ from the basis and assumptions upon which the valuation were based.

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6.5 Valuation Results

Using the valuation method as outlined in paragraph 6.3, the range of values of the Acquiree Companies are as follows:

(i) PE Method

We have conducted this analysis based on P/E multiple of comparable companies involved in the trading and manufacturing of industrial chemicals which are listed on Bursa Malaysia Securities Berhad ("**Bursa Securities**").

Please note that the selection of the comparable companies and the adjustment made are highly subjective and judgmental and that the selection of the comparable companies may not be entirely comparable to the Acquiree Companies due to various factors such as product market segment, client base, production process and technical know-how.

Details of the selected comparable companies are as follows:

Comparable Companies	**Principal Activities**	**Market Capital (RM' million)**
Luxchem Corporation Berhad ("**Luxchem**")	• Luxchem supplies and distributes industrial chemicals in four (4) major industries, namely polyvinyl chloride ("PVC"), Rubber, Latex and fiberglass reinforced plastic ("FRP")/ Coating. • Manufactures Unsaturated Polyester Resin ("UPR"). • Produce rubber latex chemical dispersion, latex processing chemicals, latex surfactant, dispersant and specialty chemicals for latex industry.	981.9 (1)
Chemical Company of Malaysia ("**CCM**")	CCM specialises in producing the following chemicals and polymers: • Chlorine, hydrochloric acid, sodium hypochlorite and polyaluminium chloride ("PAC") are largely used in water treatment; • Calcium nitrate used in rubber making industry; • Wide range of specialty chemicals to various industry such as rubber chemicals, food & pharmaceutical, industrial, health & hygiene and surface coating.	516.5 (2)

Notes:

(1) As at LPD

(2) As at 9 February 2021, being the last trading day before CCM was delisted from Bursa Securities

The PE multiple of the comparable companies are as follow:

Comparable companies	Average market price [(1)] (RM)	PAT (RM' million)	Issued Shares (million)	P/E (times)
Luxchem	0.63	47.85 [(3)]	996.9	13.14
CCM	1.67 [(2)]	16.07 [(4)]	167.7	17.46
			Average	**15.30**

Notes:

(1) We took into consideration the surged in market price for companies which are related to the rubber gloves manufacturing industry due to the Covid-19 pandemic which resulted a significant increase in demand of rubber gloves. Hence, we adopted an average market price computed based on a simple average of the daily closing market price for the past 2 years up to LPD as a better representation in deriving the P/E of respective comparable companies. *(Source of market price: Bloomberg)*

(2) Based on note 1 above, the 2 years average market price for CCM is derived up to 9 February 2021, being the last trading day before CCM was delisted from Bursa Securities. *(Source of market price: Bloomberg)*

(3) Based on Luxchem's audited financial results as at 31 December 2020.

(4) Based on latest audited report as at 31 December 2019.

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Based on the average P/E multiple of the comparative companies and the profit guarantee provided by the Acquiree Companies, the estimated value of the Acquiree Companies is as follows:

	Amount (RM'000)
Average Profit Guarantee [1]	13,000
(x) Average P/E multiple of comparable companies (times)	15.30
	198,900
(-) Illiquidity discount (30%) [2]	(59,670)
Valuation	**139,230**

Notes:

(1) The Vendors undertake that the Acquiree Companies shall achieve a GP of not less than RM13.0 million for each financial year consecutively and derive an aggregate GP of RM39.0 million over the Guaranteed Profit Period.

(2) Based on "Investment Valuation: Tools and Techniques for Determining the Value of Any Assets" by Aswath Damodaran, a factor which may have an impact on the valuation is the liquidity of the asset i.e., the extent in which the asset can be freely bought or sold. Generally, shares of non-listed companies are not freely tradeable as compared to public listed companies. Illiquidity discount typically ranges from 20% - 30%. In the case of the Acquiree Companies, we adopted a conservative approach in determining the illiquidity discount at 30% after taking into consideration that the revenue of Acquiree Companies is smaller relative to the revenue of comparable companies.

(ii) NAV Method

The net asset of the respective Acquiree Companies based on the unaudited management accounts as at 30 September 2020 are as follows:

	Amount (RM'000)
CTSB	67,156
AASB	18,948
PCE	2,650
Total combined net asset	88,754
(+) Aggregate Guaranteed Profit [1]	39,000
Adjusted Net Asset/ Valuation	**127,754**

Note:

(1) The Vendors undertake that the Acquiree Companies shall achieve a GP of not less than RM13.0 million for each financial year consecutively and derive an aggregate GP of RM39.0 million over the Guaranteed Profit Period.

Based on the selected methods of valuation, the values of the Acquiree Companies range from **RM127.8 million to RM139.2 million** as at the Valuation Date. These values are limited by the approaches as outlined in paragraph 6.3 and any reference to the values will have to be read in context of the approaches used in the valuation as well as the basis and assumptions as detailed in paragraph 6.4.

It should be recognised that the valuation of any entity is always subject to a great deal of uncertainty and involves a high degree of subjectivity and element of judgement. Because of the susceptibility of valuations to inputs of the model applied, valuations can change quite quickly in response to market changes or changes in the surrounding circumstances, including the market outlook. These values represent the range that a well-informed general investor may pay. The final price of the Acquiree Companies will reflect the specific circumstances of the buyer and seller, their perceptions of business and market factors as the point of execution.

Yours faithfully,
For and behalf of
Eco Asia Capital Advisory Sdn Bhd

Kelvin Khoo
Managing Director

APPENDIX II – SALIENT TERMS OF THE SSA

The salient terms of the SSA include the following:-

(a) Purchase Price

The Purchase Price for the sale and purchase of the Sale Shares is **RINGGIT MALAYSIA ONE HUNDRED THIRTY EIGHT MILLION (RM138,000,000.00)** only;

(b) Manner of Payment of Purchase Price

Upon the execution of the SSA, **RINGGIT MALAYSIA THIRTEEN MILLION EIGHT HUNDRED THOUSAND (RM13,800,000.00)** only being the Deposit shall be paid by the Purchaser to the Vendors' Solicitors as stakeholder of the Vendors who are authorised to release the Deposit to the Vendors in the proportions as set out in the Section 2.2.1 of this Circular;

The Balance Purchase Price of **RINGGIT MALAYSIA EIGHTY FIVE MILLION AND TWO HUNDRED THOUSAND (RM85,200,000.00)** only shall be paid by the Purchaser to the Vendors' Solicitors as stakeholder of the Vendors on or before the Completion Date who are authorised to release the Balance Purchase Price to the Vendors in the proportions as set out in the Section 2.2.1 of this Circular;

In the event that the Purchaser shall fail to pay the Balance Purchase Price on the Completion Date, the Vendors may, at their absolute discretion, grant the Purchaser an Extended Completion Period to enable the Purchaser to settle the Balance Purchase Price or part thereof remaining outstanding; and

The Retention Sum shall be paid by the Purchaser to the Vendors in accordance with the profit guarantee provisions in the SSA.

(c) Conditions Precedent

The obligations of the Vendors to sell and the Purchaser to purchase the Sale Shares are conditional upon the following conditions precedent being fulfilled within five (5) months from the date of the SSA ("**Conditional Period**"):

1. CTSB to complete the disposal of its entire equity interest in its wholly owned subsidiary, Cambodia Chempro Co Ltd (Company Registration No. 00005042), a company incorporated in Cambodia with its address at No. 19DC, Street 296, Phum 10, Sangkat Tuol Svay Prey 2, Khan Chamkar Mon, Phnom Penh, 12309, Cambodia to any third party for a purchase consideration of Ringgit Malaysia Two Hundred Fifty Thousand (RM250,000.00) only;

2. the execution of the sale and purchase agreement between AASB (as vendor) and Tan Seio Beng (as purchaser) in respect of the sale and purchase of one (1) unit of three (3) storey shop office known as Lot S8088, phase No. 1G01, Project Parcel 8-Eco Sanctuary City measuring approximately 250 square metres erected on Individual Title HS(D) 43181, PT44961, Mukim Tanjong Duabelas, Daerah Kuala Langat, Negeri Selangor ("**Eco Sanctuary Property**") with the selling price of Ringgit Malaysia Three Million Four Hundred Ninety Seven Six Hundred Thirty Nine and Forty Nine Cents (RM3,497,639.49) only;

3. the Purchaser having obtained the approval of its shareholders at an EGM to be convened, for the execution of the SSA and the purchase of the Sale Shares from the Vendors subject to the terms and conditions of the SSA;

4. the approval of the board of directors and shareholders of Wetacho for the disposal of 700,007 ordinary shares in CTSB to the Purchaser in accordance with the terms and conditions of the SSA;

5. the Vendors shall procure the Acquiree Companies to obtain written consent from such banks and financial institutions' who have existing banking facilities with the Acquiree Companies in accordance with the terms of the financing arrangements or facilities granted to the Acquiree Companies and to release the existing personal guarantees provided by Tan Seio Beng, Cheok Viping and Chan Kwei Ling;

6. the execution of undated management contracts between Acquiree Companies and each of Tan Seio Beng and Cheok Viping with effect from the Completion Date or the extended Completion Date, as the case may be, on terms and conditions mutually agreed with the Purchaser;

7. the Vendors to procure and obtain all approvals, consents and sanctions (government, regulatory, third party or otherwise), if required, for the following;

   (aa) sale of the Sale Shares by the Vendors to the Purchaser upon the terms and conditions of the SSA; and

   (bb) the subsequent change in the board of directors or management of the Acquiree Companies resulting therefrom.

Note: Hextar completed its financial and legal due diligence on the Acquiree Companies prior to the signing of the SSA

If any of the Conditions Precedent has not been satisfied on or before 10.00 a.m. on the last day of the Conditional Period, the Conditional Period may be extended for a further period of thirty (30) days subject to the mutual agreement between the parties.

In the event any of the Conditions Precedent is not satisfied by the expiration of the Conditional Period or the Extended Conditional Period, as the case may be, the SSA will terminate and thereafter be of no effect save for any claims arising from any antecedent breach of the SSA. The Vendors shall forthwith refund the Deposit to the Purchaser within fourteen (14) days upon receipt of notice of termination from the Purchaser or the Purchaser's Solicitors.

The SSA shall become unconditional upon satisfaction or fulfilment of all Conditions Precedent.

(d) Retention Sum

The Vendors agrees with the Purchaser to retain a sum not exceeding Ringgit Malaysia Thirty Nine Million (RM39,000,000.00) only from the Purchase Price to be released in the manner set out under Appendix II, Section (e) of this Circular.

If the Acquiree Companies fails to achieve the Minimum GP for any financial year during the Guaranteed Profit Period, the shortfall amount shall be deducted from the Retention Sum held by the Purchaser.

For the purpose of this Clause, "financial year" shall mean 1 January to 31 December of each year during the Guaranteed Profit Period.

At the end of each financial year during the Guaranteed Profit Period, if the Acquiree Companies achieve PAT of up to the amount of the Minimum GP, the Purchaser shall pay the Vendors such equivalent amount from the Retention Sum.

In the event the PAT for any financial year during the Guaranteed Profit Period is more than the Minimum GP, the Purchaser shall pay the Vendors the Minimum GP amount from the Retention Sum and fifty per centum (50%) share of any excess PAT above the Minimum GP for each financial year.

(e) Profit Guarantee

Each Vendor, irrevocably agrees undertakes and covenants that the Acquiree Companies shall from 1st January 2021 until 31st December 2023 achieve a guaranteed profit for each financial year which shall not be less than **Ringgit Malaysia Thirteen Million (RM13,000,000.00)** only being the profit after tax per annum for each consecutive year and derive an aggregate GP of **Ringgit Malaysia Thirty Nine Million (RM39,000,000.00)** over the Guaranteed Profit Period. If the Acquiree Companies fail to achieve the Minimum GP for any financial year during the Guaranteed Profit Period, the shortfall amount shall be deducted from the Retention Sum held by the Purchaser.

For the purpose of this Clause, "financial year" shall mean 1 January to 31 December of each year during the Guaranteed Profit Period.

At the end of each financial year during the Guaranteed Profit Period, if the Acquiree Companies achieves profit after tax of up to the amount of the Minimum GP, the Purchaser shall pay the Vendors such equivalent amount from the Retention Sum.

In the event the profit after tax for any financial year during the Guaranteed Profit Period is more than the Minimum GP, the Purchaser shall pay the Vendors the Minimum GP amount from the Retention Sum and fifty per centum (50%) share of any excess profit after tax above the Minimum GP for each financial year.

The illustrations in relation to the GP, release of Retention Sum and share of Additional Profit (as defined below) to the Vendors are set out below:-

1. in the event the Acquiree Companies generates profit after tax of more than the Minimum GP (the "**Additional Profit**") for any financial year, the Vendors shall be entitled to fifty per centum (50%) share of the Additional Profit for that financial year; or

2. If the Acquiree Companies generates profit after tax of Ringgit Malaysia Seven Million (RM7,000,000.00), the Vendors are only entitled to the sum of Ringgit Malaysia Seven Million (RM7,000,000.00) and the Purchaser will release the sum of Ringgit Malaysia Seven Million (RM7,000,000) to the Vendors;

3. If the Acquiree Companies incurs losses of any amount for any financial year during the Guaranteed Profit Period, the Vendors shall not be entitled to any payment for that particular year.

For the avoidance of doubt, the total liability of the Vendors in relation to the GP during the Guaranteed Profit Period shall not exceed RM39,000,000 in aggregate and the Vendors shall not be liable for any losses incurred by the Acquiree Companies for any financial year during the Guaranteed Profit Period.

The Founders agree to remain in the employment of the Acquiree Companies and the Acquiree Companies agree to employ them during the Guaranteed Profit Period subject to the terms of the management contract to be entered into between each Founders and Acquiree Companies.

Notwithstanding to the above and subject to Clause 9.8 of the SSA, the Founders are not entitled to the Additional Profit or any balance Retention Sum not paid upon the occurrence of any of the following events ("**Termination Events**"):

1. the termination by the Acquiree Companies of both of the Founders' employment with the Acquiree Companies upon both the Founders having committed a breach of trust or fraud or gross misconduct which materially and adversely affects the financial position or business prospects of or the goodwill of the Acquiree Companies, during the Guaranteed Profit Period; or

2. any of the Founders terminates his employment with the Acquiree Companies on his own accord save and except by reason of critical illness or incapacity or death.

Save for the Termination Events provided above, the Purchaser undertakes to immediately release and pay the balance Retention Sum to the Vendors upon the termination by the Acquiree Companies of both the Founders' employment with the Acquiree Companies.

Notwithstanding anything to the contrary in the SSA, in the event of incapacity or death of any of the Founders, the Purchaser undertakes to release and pay to the Vendors (or their heirs, successors-in-title or permitted assigns, as the case may be) at the end of each financial year during the Guaranteed Profit Period:

1. such amount equivalent to the profit after tax of the Acquiree Companies for the relevant financial year up to the amount of the Minimum GP; and

2. fifty per centum (50%) share of any excess profit after tax above the Minimum GP for each financial year,

provided that the Company generates profit after tax in the relevant financial year.

The aforementioned payments shall be paid within thirty days (30) days by the respective Party to each other from the date of the audited accounts of Acquiree Companies for the respective financial year.

(f) Appointment of Director(s) During the Guaranteed Profit Period

Unless otherwise agreed by the shareholders and the board of directors of the Acquiree Companies, **TAN SEIO BENG** or **CHEOK VIPING** shall remain as Directors of the Acquiree Companies and each shareholder of the Acquiree Companies shall have the right to appoint, remove, replace or substitute any Director appointed from time to time in accordance with the provisions in the SSA. Such appointment, removal or replacement of a Director shall be in accordance with the requirements of the Act and the constitution of the respective Acquiree Companies.

The Purchaser acknowledges and agrees that **TAN SEIO BENG** will remain as a Director of the Acquiree Companies for the Guaranteed Profit Period.

(g) Termination

The SSA shall continue and remain in full force and effect unless terminated pursuant to the provisions of the SSA such as in the event any of the Conditions Precedent is not satisfied by the expiration of the Conditional Period or the Extended Conditional Period, as the case may be, the SSA will terminate and thereafter be of no effect save for any claims arising from any antecedent breach of the SSA. The Vendors shall forthwith refund the Deposit to the Purchaser within fourteen (14) days upon receipt of notice of termination from the Purchaser or the Purchaser's Solicitors.

Without prejudice to any parties' other right to terminate under the SSA, in the event:

1. any party goes into liquidation, whether compulsory or voluntary (except for the purposes of a bona fide reconstruction or amalgamation) or becomes a bankrupt; or

2. any party becomes insolvent or is unable to pay its debts or admits in writing its inability to pay its debts as they fall due or enters into any composition or arrangement with; or

3. there is a breach of any material terms or conditions of the SSA which breach cannot be remedied and if such breach is capable of being remedied, the non-defaulting party has given a written notice to the defaulting party to remedy the same within thirty (30) days from the date of the notice ("**Remedy Period**") and the defaulting party has failed to remedy the said breach to the non-defaulting party's satisfaction during the Remedy Period; or

4. there is a material breach of any representations or warranties on or before the completion of the sale and purchase of the Sale Shares ("**Completion**") which breach cannot be remedied and if such material breach is capable of being remedied, the non-defaulting party has given a written notice to the defaulting party to remedy the same within Remedy Period and the defaulting party has failed to remedy the said breach to the non-defaulting party's satisfaction during the Remedy Period,

then the non-defaulting party shall at its sole discretion be entitled to do any of the following:

1. claim for specific performance of the SSA against the defaulting party (without prejudice to all other rights of claim for loss, damage and compensation by the non-defaulting party against the defaulting party); or

2. terminate the SSA and none of the parties shall have any claim against the others under the SSA, save for any claims arising from any antecedent breach of the SSA.

(h) Vendors' Undertaking Pending Completion

Pending the completion of the sale and purchase of the Sale Shares herein provided, the Vendors shall take such steps as shall lie within their power to procure that the Acquiree Companies will not, save in ordinary course of business or save with the Purchaser's prior written consent: -

1. incur any expenditure exceeding RM1,000,000.00 on capital account or enter into any commitment to do so;

2. issue or agree to issue any shares or loan capital or agree to grant any option over or right to acquire any share or loan capital;

3. create, extend, grant or issue or agree to create, extend, grant or issue any mortgages, charges, leases, debentures, pledges, guarantees, indemnities or other encumbrances or securities over any or all of the properties, assets and undertakings of the Acquiree Companies or redeem or agree to redeem any security or give or agree to give any guarantee or indemnity;

4. enter into any long term or contracts outside the ordinary course of business or capital commitment;

5. declare, pay or make any dividend or other distribution or do or suffer anything whereby its financial position shall be rendered less favorable than as set out in the

management accounts of the Acquiree Companies for the period ended on 30 September 2020;

6. pass any resolution by its members in general meeting contrary to the intentions of the SSA or make any alteration to the provisions of its constitution;

7. in any way depart from the ordinary course of its day to day business either as regards the nature or scope or manner of conducting the same;

8. pay or agree to pay to its Directors or any of them any remuneration or other emoluments or benefits whatsoever other than those which have been disclosed and agreed to by the Purchaser;

9. acquire any assets on hire purchase on deferred terms;

10. use the trademark or the name or similar name of the Acquiree Companies or its related goodwill;

11. apply for, incur or accept any further borrowings, loans, credit facilities and other accommodations;

12. enter into any transaction with any person, firm or company, on ordinary commercial terms and on the basis of arm's length arrangements, or establish any exclusive purchasing or sales agency, or enter into any transaction whereby the Acquiree Companies might pay more than the ordinary commercial price for any purchase;

13. enter into any partnership, profit sharing or royalty arrangement or other similar arrangement whereby the Acquiree Companies' income or profits are, or might be, shared with any other person, firm or company unless such partnership or profit sharing or royalty arrangement or such similar arrangement is entered into in the ordinary course of business of the Acquiree Companies on ordinary commercial terms and on the basis of arm's length arrangements or enter into any management contract or similar arrangement whereby the Acquiree Companies' business or operations are managed by any other person, firm or company;

14. save as disclosed to the Purchaser, make or permit to exist loans or lend or make any advances to any of its shareholders or directors or any person, firm or company or others to make investments in other companies or enterprises or guarantee any person, enterprise or company;

15. change the existing composition of its board of directors and no additional directors are appointed to the board of directors save and except as provided in the SSA;

16. give any financial or other guarantees, securities or indemnities for any purpose;

17. commence any litigation or compromise or settle any claim, dispute or other matter in which it is involved;

18. attempt to do any of the matters set out in Clause 6.1.1 to 6.1.17 of the SSA such as:

    a. incur any expenditure on capital account or enter into any commitment to do so;

    b. issue or agree to issue any shares or loan capital or agree to grant any option over or right to acquire any share or loan capital;

    c. enter into any long term or abnormal contract or capital commitment;

d. declare, pay or make any dividend or other distribution or do or suffer anything whereby its financial position shall be rendered less favorable; and

19. save as provided in the SSA, to dispose of any part of its assets.

(i) Vendors' Warranties, Representations and Undertakings

The Vendors hereby represent and warrant to the Purchaser that each of the Vendors has not been adjudged as a bankrupt or wound up and not subject to any bankruptcy proceedings or winding up proceedings (whether voluntarily or compulsory), whichever case may be and that each of the Vendors has the power to enter into the SSA and to make the representations and warranties herein and as set out in the Third Schedule in the SSA and to undertake or to cause to be undertaken the obligations under the SSA.

The representations, warranties and undertakings shall be separate and independent and save as expressly otherwise provided shall not be limited by reference to any other paragraphs of the Schedule or by anything in the SSA and shall continue in force and effect so far as they are capable of being performed or observed.

The Vendors' representations, warranties and undertakings are subject to any matter which is disclosed in:

1. the SSA;

2. documents and information relating to the Acquiree Companies made available by or on behalf of the Vendors to the Purchaser or its advisers by way of a virtual data room from 6 January 2021 to 5 March 2021 ("**Data Room Documents**"); and

3. any matter or thing done or omitted to be done on or prior to Completion at the written request or with the written approval of the Purchaser.

(j) Vendors' Further Warranties, Representations and Undertakings

The Vendors further represent, warrant and undertake to and with the Purchaser that:

1. its respective representations, warranties and undertakings herein contained will continue to be true and correct in all respects from the date of the SSA up to and including at Completion as if they had been entered into afresh at Completion; and

2. if after the signing hereof and before Completion any event shall occur which results or may result in any of the Vendors' representations, warranties or undertakings being untrue or incorrect at the Completion, the Vendors shall immediately notify the Purchaser prior to the Completion.

3. Each of the Vendors declares that no liability, prohibitory order or equity rights that may arise in respect of the disposal of their respective Sale Shares to the Purchaser and in whichever case may be, the Vendors shall warrant that all Tax, contributions to Employees Provident Fund (EPF) and contributions to Social Security Organization (SOCSO) for each Acquiree Companies to any relevant authority have been so made as at the Completion Date or Extended Completion Date, as the case may be. In the event that any taxes, duties, levies, delayed interest or penalties which may result from any investigation of the Acquiree Companies by the relevant authorities by the relevant authorities in relation to the period up to the Completion Date or Extended Completion Date, as the case may be, then in such an event, the Purchaser shall cause the Acquiree Companies to render all assistance as maybe necessary to assist the Vendors in resisting and defending such claims.

4. The Vendors agree that the truth and correctness of all the matters stated in the warranties, representations and undertakings aforesaid shall form the basis of the Purchaser's SSA to purchase the Sale Shares and that the Purchaser has relied on such warranties, representations and undertakings in entering into the SSA to purchase the Sale Shares.

If any such representations or warranties set out under this clause shall at any time hereafter be found not complied with or otherwise untrue or incorrect in any material respect as at the date of the SSA, then and in such event and notwithstanding anything to the contrary herein contained the Purchaser shall have the right at its absolute discretion to terminate the SSA whereupon the consequence of termination as provided in Clause 11 of the SSA shall apply.

1. CORPORATE INFORMATION, HISTORY AND BUSINESS OF AASB

AASB was incorporated in Malaysia on 14 July 1994 under the Companies Act 1965. AASB is principally involved in the manufacturing of industrial chemicals detergent and related products. AASB commenced its operation on 14 July 1994.

AASB formulates and produces a range of cleaning agents such as detergents, sanitisers and degreasers. Additionally, AASB also produces a range of cleaning chemicals, coagulants and coating additives for rubber glove manufacturing which can be customised according to customers' requirements.

1.1. Size and location of factory

Location of the plant	Main types of activities carried out	Size
2, Jalan Astana 3, Bandar Bukit Raja, 41050 Klang, Selangor [1]	Manufacturing of cleaning and industrial chemicals	Land area: 231,729 square feet Built-up area: 115,275 square feet

Note:

[1] Properties are rented by AASB from Equity Stream Sdn Bhd, a company owned by Wetacho (67%), Tan Seio Beng (25%), and Cheok Viping (8%). The tenancy is valid until 30 June 2023 subject to renewal, at monthly rental of RM30,000

1.2. Principal revenue segments

AASB is principally involved in the manufacturing of industrial chemicals detergent and related products which contributed 100% to AASB's total revenue for the FYEs 31 October 2017 to 2019 and 11-month FPEs 30 September 2019 and 2020.

1.3. Principal products' markets

AASB's principal market is in Malaysia which contributed most of AASB's total revenue for the FYEs 31 October 2017 to 2019 and 11-month FPEs 30 September 2019 and 2020. The geographical segmental revenue of AASB is set out as follows**:**

	FYE 31 October						FPE 30 September 2019		FPE 30 September 2020	
	2017		2018		2019					
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Domestic	56,694	97.9	61,706	98.7	57,257	98.2	52,603	98.7	52,242	97.5
Foreign	1,208	2.1	797	1.3	1,029	1.8	718	1.3	1,359	2.5
Total	**57,902**	**100.0**	**62,503**	**100.0**	**58,286**	**100.0**	**53,321**	**100.0**	**53,601**	**100.0**

1.4. Key sources of raw materials and supplies

AASB primarily sources its raw materials and supplies from suppliers within Malaysia. Total raw materials and supplies sourced for the FYEs 31 October 2017 to 31 October 2019 and 11-month FPEs 30 September 2019 and 2020 as set out below:

	FYE 31 October						FPE 30 September 2019		FPE 30 September 2020	
	2017		2018		2019					
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Domestic	40,505	98.8	40,455	98.3	33,381	96.7	31,101	96.5	33,543	98.5
Foreign	498	1.2	706	1.7	1,150	3.3	1,113	3.5	513	1.5
Total	**41,003**	**100.0**	**41,161**	**100.0**	**34,531**	**100.0**	**32,214**	**100.0**	**34,056**	**100.0**

1.5. Production capacity

(a) Details of plant

Location of the plant	Main types of activities carried out	Size
2, Jalan Astana 3, Bandar Bukit Raja, 41050 Klang, Selangor	Manufacturing of cleaning and industrial chemicals	Total land area of 231,729 square feet and a total built-up area of 115,275 square feet

(b) Annual production capacity and output

Capacity per annum[(1)]	FYE 31 October			
	2017	2018	2019	2020
Maximum production (MT)	42,671	42,671	42,671	42,671
Actual production (MT)	17,602	22,129	21,679	20,297
Production utilisation (%)	41.2	51.9	50.8	47.6

Note:

(1) Maximum production capacity and utilisation rate are calculated on the of 1 work shift per day x 2 batches x 52 weeks x 5.5 days

1.6. Assets owned

As at LPD, the assets owned by AASB are, amongst others, machineries for its manufacturing activities such as mixers for powder and liquid, acid tanks, and pallets.

2. SHARE CAPITAL

As at LPD, the issued share capital of AASB is RM500,000 comprising 500,000 AASB Shares.

3. SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND DIRECTOR'S SHAREHOLDINGS

The details of the substantial shareholders, directors and their respective shareholdings in AASB as at the LPD are as follows:

			Direct		Indirect	
Name	**Designation**	**Country of incorporation / Nationality**	**No. of Shares**	**%**	**No. of Shares**	**%**
Tan Seio Beng (1)	Director and Shareholder	Malaysian	290,000	58.00	(1)210,000	42.00
Chan Kwei Ling (2)	Shareholder	Malaysian	210,000	42.00	(2)290,000	58.00
Chiew Yuen Chow	Director	Malaysian	-	-	-	-
Cheok Viping	Director	Malaysian	-	-	-	-

Notes:

(1) Deemed interested by virtue of him being the spouse of Chan Kwei Ling

(2) Deemed interested by virtue of her being the spouse of Tan Seio Beng

4. SUBSIDIARIES AND ASSOCIATED COMPANIES

AASB does not have any other subsidiaries or associate companies.

5. SUMMARY OF HISTORICAL FINANCIAL RESULTS OF AASB

A summary of the financial information of AASB for the past 3 audited financial years up to the FYEs 31 October 2019 and the unaudited 11-month FPEs 30 September 2019 and 2020 are set out below:-

	FYE 31 October			**FPE 30 September 2019**	**FPE 30 September 2020**
	2017	**2018**	**2019**		
	RM	**RM**	**RM**	**RM**	**RM**
Revenue	57,902,245	62,503,238	58,286,561	53,321,403	53,600,510
Gross Profit	6,127,488	5,743,029	5,657,458	4,883,042	6,458,883
PBT	4,754,975	5,125,210	4,174,490	3,500,841	5,032,306
PAT	3,356,924	4,035,210	2,999,552	(1)3,500,841	(1)5,032,306
Share capital	100,000	100,000	100,000	100,000	500,000
Shareholders' funds/NA	17,981,054	22,016,264	24,015,816	24,975,369	18,948,122
No. of shares	100,000	100,000	100,000	100,000	500,000
EPS	34	40	30	35	10
NA per share	180	220	240	250	38
Total borrowings	3,498,150	3,413,629	3,272,881	3,259,454	3,033,106
Gearing (times)	0.19	0.16	0.14	0.13	0.16
Current ratio	1.48	1.67	2.15	1.82	1.94

The above financial statements of AASB have been prepared in accordance with the MPERS. Upon completion of the Proposed Acquisitions, AASB will be consolidated into the Hextar Group and its financial statements will be prepared in accordance with the MFRS. The adoption of the accounting policies under MFRS may have an effect on the financial performance or position of AASB.

Note:

(1) Tax has not been provided

Commentary on past performance of AASB

(i) FYE 31 October 2018 compared to FYE 31 October 2017

Overall, revenue and PBT in FYE 2018 are higher primarily due to the following:

(a) growth of CTSB's existing customers;

(b) introduction of additional and improved formulation of its Industrial products;

(c) CTSB's success in securing new customers for Institutional and Food segment.

Gross profit in FYE 2018 is slightly lower due to depreciation of RM against the USD as well as hike in the prices of raw materials during the same period.

(ii) FYE 31 October 2019 compared to FYE 31 October 2018

Lower revenue and gross profit recorded in FYE 2019 are primarily contributed by extensive period of depreciation of RM against USD and higher unit cost resulted by hike in raw material prices namely the caustic soda and sodium hypochlorite, during the period. Lower PBT recorded in FYE 2019 was due to higher operating expenses incurred such as higher headcount, rental expenses (due to bigger land area) and freight expenses in relation to the shifting of its manufacturing operations from the previous factory in Kota Kemuning, Selangor, Malaysia to existing factory in Bandar Bukit Raja, Selangor, Malaysia.

(iii) FPE 30 September 2020 compared to FPE 30 September 2019

Revenue for FPE 2020 compared to FPE 2019 were relatively stable. Higher gross profit in FPE 2020 is primarily due to:

(a) Increased in demand of CTSB's customers for hand sanitisers and cleaning chemicals products which have higher margins, and

(b) launch of higher margin nitrile coating products for rubber gloves.

In addition, AASB recorded higher PBT as the management took prudent steps to manage AASB's operating expenses, which led to higher operating margin in FPE2020.

6. ACCOUNTING POLICIES AND AUDIT QUALIFICATIONS

Based on the audited financial statements of AASB for the FYE 31 October 2017 to FYE 31 October 2019, there are no accounting policies adopted by AASB which are peculiar due to the nature of the business or industry in which AASB is involved in. The financial statements of AASB were not subject to audit qualification for the years under review. Please refer to Appendix V of this Circular for the summary of significant accounting policies adopted by AASB.

7. MATERIAL CONTRACTS

Save as disclosed below, as at the LPD, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by AASB during the past 2 years immediately preceding the date of this Circular:

Disposal by AASB of 9 pieces of lands ("**Lands**") to Tan Seio Beng for a total consideration of RM8,381,350.80 by way of dissolution of a trust arrangement between AASB and Tan Seio Beng where Tan Seio Bend held the Lands on trust for AASB vide trust deeds dated 15 November 2013 and 31 May 2014. By a revocation of trust dated 12 October 2020 the trust deeds were revoked and the disposals were completed.

8. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, AASB is not engaged in any material litigation, either as the plaintiff or defendant, claims or arbitration which have a material effect on the financial position or business of AASB and our Board is not aware of any proceedings, pending or threatened against AASB, or of any other facts which is likely to give rise to any proceedings which may materially and adversely affect the financial position or business of AASB.

9. MATERIAL COMMITMENT

As at the LPD, there is no material commitment, incurred or known to be incurred, which upon becoming enforceable may have a material impact on the results or financial position of the AASB.

10. CONTINGENT LIABILITIES

As at the LPD, there are no contingent liabilities, incurred or known to be incurred by AASB which, upon becoming due or enforceable may have a material impact on the results or financial position of AASB.

1. CORPORATE INFORMATION, HISTORY AND BUSINESS OF CTSB

CTSB was incorporated in Malaysia on 28 October 1986 under the Companies Act 1965. CTSB is principally involved in the trading and distribution of institutional and industrial chemicals. CTSB commenced its operation on 28 October 1986.

CTSB distributes a range of cleaning agents such as detergents, sanitisers and degreasers. Additionally, CTSB also supplies a range of cleaning chemicals, coagulants and coating additives for rubber glove manufacturing which can be customised according to customers' requirements.

1.1. Size and location of factories

Location of the plant	Main types of activities carried out	Size
2, Jalan Astana 3, Bandar Bukit Raja, 41050 Klang, Selangor (1)	Trading and distribution of cleaning and industrial chemicals	Land area: 231,729 square feet Built-up area: 115,275 square feet
Lot 3141, Block 217 Kuching North Land District, Jalan Batu Kawa, Sarawak (2)	Office, storage and warehouse	Land area: 6,690 square feet Built-up area: 2,528 square feet
Lot 12, Mile 7, Tuaran Road, Inanam, 88450 Kota Kinabalu, Sabah (2)	Office, storage and warehouse	Land area: 9,770 square feet Built-up area: 5,609 square feet

Notes:

(1) Properties are rented by CTSB from Equity Stream Sdn Bhd, a company owned by Wetacho (67%), Tan Seio Beng (25%), and Cheok Viping (8%). The tenancy is valid until 30 June 2021 subject to renewal, at monthly rental of RM220,000

(2) Properties are owned by CTSB

1.2. Principal revenue segments

CTSB's principal revenue segment is trading of institutional and industrial chemicals as well as the leasing and rental of dishwashing and chemicals dispenser equipment catering to the various industries such as hospitality, F&B, hospital etc. The consolidated segmental revenues of CTSB for the FYEs 31 March 2018 to 2020 and 6-month FPEs 30 September 2019 and 2020 are set out as follows:

	FYE 31 March						FPE 30 September 2019		FPE 30 September 2020	
	2018		2019		2020					
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Trading	97,465	92.9	103,002	92.3	103,681	91.4	49,365	94.0	46,033	95.4
Leasing and rental of equipment	7,457	7.1	8,577	7.7	9,767	8.6	3,125	6.0	2,212	4.6
Total revenue	**104,922**	**100.0**	**111,579**	**100.0**	**113,448**	**100.0**	**52,490**	**100.0**	**48,245**	**100.0**

1.3. Principal products' markets

The geographical consolidated segmental revenues of CTSB for the FYEs 31 March 2018 to 2020 and 6-month FPEs 30 September 2019 and 2020 are set out as follows:

	FYE 31 March						FPE 30 September 2019		FPE 30 September 2020	
	2018		2019		2020					
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	78,007	74.3	80,383	72.0	84,484	74.5	39,235	74.7	33,764	70.0
Thailand	19,821	18.9	23,212	20.8	19,161	16.9	9,488	18.1	10,304	21.4
Vietnam	3,996	3.8	5,212	4.7	4,994	4.4	2,487	4.7	2,864	5.9
Others	3,098	3.0	2,772	2.5	4,809	4.2	1,280	2.4	1,313	2.7
Total	**104,922**	**100.0**	**111,579**	**100.0**	**113,448**	**100.0**	**52,490**	**100.0**	**48,245**	**100.0**

1.4. Key sources of raw materials and supplies

CTSB primarily sources its raw material from AASB while certain products such as equipment and containers are sourced from various Southeast Asia countries. The raw materials sourced from its suppliers for the FYEs 31 March 2018 to 2020 and 6-month FPEs 30 September 2019 and 2020 as set out below:

	FYE 31 March						FPE 30 September 2019		FPE 30 September 2020	
	2018		2019		2020					
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
AASB	56,238	92.3	64,470	93.4	58,044	93.5	27,378	92.3	28,032	94.6
Others	4,668	7.7	4,585	6.6	4,013	6.5	2,268	7.7	1,594	5.4
Total	**60,906**	**100.0**	**69,055**	**100.0**	**62,057**	**100.0**	**29,646**	**100.0**	**29,626**	**100.0**

1.5. Assets owned

As at LPD, the assets owned by CTSB are, amongst others, equipment such as dishwashers and chemical dispensers for its leasing and rental of equipment business segment.

2. SHARE CAPITAL

As at LPD, the issued share capital of CTSB is RM1,050,014 comprising 1,050,014 CTSB Shares.

3. SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND DIRECTOR'S SHAREHOLDINGS

The details of the substantial shareholders, directors and their respective shareholdings in CTSB as at the LPD are as follows:

		Country of incorporation /	Direct		Indirect	
Name	**Designation**	**Nationality**	**No. of Shares**	**%**	**No. of Shares**	**%**
Wetacho	Shareholder	Malaysian	700,007	66.67	-	-
Tan Seio Beng (1)	Director and Shareholder	Malaysian	262,507	25.00	700,007	66.67
Cheok Viping (1)	Director and Shareholder	Malaysian	87,500	8.33	700,007	66.67
Chan Kwei Ling	Director	Malaysian	-	-	-	-
Chiew Yuen Chow	Director	Malaysian	-	-	-	-

Note:

(1) Deemed interested by virtue of his direct interest of over 20% in Wetacho

4. SUBSIDIARIES AND ASSOCIATED COMPANIES

The subsidiaries of CTSB and their principal activities are set out below:

Name	Date/Place of incorporation	Share Capital	Effective equity interest (%)	Principal activities	Directors
PCE	23 May 1988/No. 5, Simpang 281-32-6, Perindustrian Lambak Kanan, Berakas, BB1714, Brunei Darussalam.	BND 100,000	99.99	Retailer of specialised cleaning and sanitising chemicals and other related services	Tan Seio Beng, Cheok Viping, Pg Mohd Idris Bin Pg PCLDSN Pg Hj Damit, Hajah Sabariah Bte Haji Mudin and Pg Hj Md Sofrey Bin Pg Hj Jadid
CCCL[(1)]	22 March 2016/No. 19DC, Street 296, Phum 10, Sangkat Tuol Svay Prey 2, Khan Chamkar Mon, Phnom Penh, 12309, Cambodia.	KHR 80,000,000	100.00	Retailer of specialised cleaning and sanitising chemicals and other related services in Cambodia	Cheok Viping and Chiew Yuen Chow

Note:

(1) To be disposed for RM250,000.00 to third party pursuant to the conditions precedent of the SSA

5. SUMMARY OF HISTORICAL FINANCIAL RESULTS OF CTSB

A summary of the consolidated financial information of CTSB for the past 3 audited financial years up to the FYE 31 March 2020 and the unaudited 6-month FPEs 30 September 2019 and 2020 are set out below:-

	FYE 31 March			FPE 30 September 2019	FPE 30 September 2020
	2018	2019	2020		
	RM	RM	RM	RM	RM
Revenue	104,921,893	111,579,145	113,448,476	52,489,797	48,245,345
Gross Profit	44,701,702	44,320,144	49,667,474	19,866,509	18,686,174
PBT	13,250,372	8,694,127	14,607,387	10,622,808	6,967,350
PAT	9,597,046	5,018,742	11,224,131	(1)10,622,808	(1)6,967,350
Share capital	1,050,014	1,050,014	1,050,014	1,050,014	1,050,014
Shareholders' funds/NA	68,353,776	73,811,402	75,695,489	77,204,437	69,678,386

	FYE 31 March			FPE 30 September 2019	FPE 30 September 2020
	2018	2019	2020		
	RM	RM	RM	RM	RM
No. of shares	1,050,014	1,050,014	1,050,014	1,050,014	1,050,014
EPS	9.14	4.78	10.69	10.12	6.64
NA per share	65	70	72	74	66
Total borrowings	42,951,464	37,599,854	6,670,500	36,033,262	7,371,529
Gearing (times)	0.61	0.51	0.09	0.47	0.11
Current ratio	3.21	3.18	3.87	1.31	3.19

The audited financial statements of CTSB have been prepared in accordance with MFRS. Upon completion of the Proposed Acquisitions, CTSB will be consolidated into the Hextar Group.

Note:

(1) Tax has not been provided

Commentary on past performance of CTSB

(i) FYE 31 March 2019 compared to FYE 31 March 2018

Higher sales in FYE 2019 is primarily due to:

(a) growth of its existing customers;

(b) introduction of additional and improved range of its Industrial products which led to improvement in customers' demands; and

(c) increased in new customers secured for its Institutional and Food segment.

Gross profit in FYE 2019 is slightly lower due to increase in cost of sales resulted from AASB's higher cost of production which was primarily caused by depreciation of RM against USD depreciation as well as hike in the prices of raw materials.

Lower PBT recorded in FYE 2019 was due to higher operating expenses incurred such as higher headcount, rental expenses (due to bigger land area) and freight expenses in relation to the shifting of its headquarter from the previous factory in Kota Kemuning, Selangor, Malaysia to existing factory in Bandar Bukit Raja, Selangor, Malaysia. In addition, the company also made a provision of RM1.3 million being the amount owed by one of its customers.

(ii) FYE 31 March 2020 compared to FYE 31 March 2019

Revenue for FYE 2019 and FYE 2020 were relatively stable. Improved gross profit margins in FYE 2020 versus FYE 2019 were largely attributable to:

(a) increase in demand for hand sanitisers and cleaning chemicals which have higher margins, driven by the pandemic situation;

(b) increase in awareness and education on hygiene; and

(c) increase in profit margins for the nitrile coating products for rubber gloves.

Higher PBT recorded was due to the management took prudent steps to reduce the operating expenses and the disposal of Equity Stream Sdn Bhd in December 2019 which led to increase of RM3.8 million in Other Income.

(iii) FPE 30 September 2020 compared to FPE 30 September 2019

The drop in revenue, gross profit and PBT in FPE 2020 compared to FPE 2019 were mainly caused by the decline in CTSB's Institutional and Food customers' sales. Institutional and Food segment is driven by the demand from hotels and F&B operators, which in turn largely depend on the end consumer market. Due to the pandemic, lockdown restrictions and limited operating hours caused by the COVID-19, lower demand from the end consumer market had caused a drop in hotel occupancy and sales of the F&B operators. Consequently, the sales of CTSB had been negatively affected during FPE 2019.

6. ACCOUNTING POLICIES AND AUDIT QUALIFICATIONS

Based on the audited financial statements of CTSB for the FYE 31 March 2018 to FYE 31 March 2020, there are no accounting policies adopted by CTSB which are peculiar due to the nature of the business or industry in which CTSB is involved in. The financial statements of CTSB were not subject to audit qualification for the years under review. Please refer to Appendix VI of this Circular for the summary of significant accounting policies adopted by CTSB.

7. MATERIAL CONTRACTS

Save as disclosed below, as at the LPD, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by CTSB during the past 2 years immediately preceding the date of this Circular:

On 17 December 2019, CTSB entered into 4 sale and purchase agreements with Equity Stream Sdn Bhd for the disposal of 4 parcels of properties known as Lots No. 8-1, 8-2, 8-3 and 8-3A, Eco Sky, Jalan Ipoh Bt 6 ½, Mukim Gombak, 68100 Batu Caves, Kuala Lumpur all held under master title Geran 79573, Lot 81149, Mukim Batu, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur an aggregate cash consideration of RM6,360,000.00, which were all completed on 27 November 2020.

8. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

Save as disclosed below, as at the LPD, CTSB is not engaged in any material litigation, either as the plaintiff or defendant, claims or arbitration which have a material effect on the financial position or business of CTSB and our Board is not aware of any proceedings, pending or threatened against CTSB, or of any other facts which is likely to give rise to any proceedings which may materially and adversely affect the financial position or business of CTSB.

Kuala Lumpur Industrial Court ("Court") Suit No. 4/4-2114/20

Chew Chee Siong, CTSB's former employee ("**Claimant**") filed a claim against CTSB on 15 May 2020 for reduction in income due to CTSB's reallocation of certain customer to other persons. The board of directors of CTSB is of the view that CTSB has good defence as it has the rights of reallocation. In the event of an unfavourable decision CTSB's maximum exposure is estimated at RM128,400.00. The Court fixed 10 May 2021 as the hearing date.

9. MATERIAL COMMITMENT

As at the LPD, there is no material commitment, incurred or known to be incurred, which upon becoming enforceable may have a material impact on the results or financial position of the CTSB.

10. CONTINGENT LIABILITIES

As at the LPD, there are no contingent liabilities, incurred or known to be incurred by CTSB which, upon becoming due or enforceable may have a material impact on the results or financial position of CTSB.

Company No : 307620-A
Alpha Aim (M) Sdn. Bhd.
(Incorporated in Malaysia)

ALPHA AIM (M) SDN. BHD.

(Incorporated in Malaysia)

ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST OCTOBER 2019

ALPHA AIM (M) SDN. BHD.
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2019

Contents

ALPHA AIM (M) SDN. BHD.
(Incorporated in Malaysia)

CORPORATE INFORMATION

BOARD OF DIRECTORS	:	TAN SEIO BENG CHIEW YUEN CHOW (f) CHEOK VIPING
COMPANY SECRETARY	:	WONG MUN WAI (MAICSA 0781950) LEE HUEY PING (f) (MAICSA 7049899)
REGISTERED ADDRESS	:	UOA BUSINESS PARK, TOWER 3, 5TH FLOOR, K03-05-13A, 1 JALAN PENGATURCARA U1/51A, SECTION U1, 40150 SHAH ALAM, SELANGOR DARUL EHSAN.
PRINCIPAL PLACE OF BUSINESS	:	NO 2, JALAN ASTANA 3/KU 2, BANDAR BUKIT RAJA, 41050 KLANG, SELANGOR DARUL EHSAN.
AUDITORS	:	HISHAMUDDIN & PARTNERS (AF 002097) (CHARTERED ACCOUNTANTS) L 11-9, MENARA SENTRAL VISTA, 150, JALAN SULTAN ABDUL SAMAD, BRICKFIELDS, 50470 KUALA LUMPUR.
PRINCIPAL BANKS	:	PUBLIC BANK BERHAD RHB BANK BERHAD OCBC BANK (MALAYSIA) BERHAD UOB BANK BERHAD CIMB BANK BERHAD

ALPHA AIM (M) SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 OCTOBER 2019

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 October 2019.

PRINCIPAL ACTIVITIES

The company is principally engaged in manufacturing and trading industrial chemicals detergent and related products. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	RM
Profit for the year	2,999,552

DIVIDENDS

No dividend has been paid or declared by the Company since the date of last report. The Directors do not recommend the payment of any dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the year ended 31 October 2019.

DIRECTORS

The Directors who held office since the date of last report and as to date are:

TAN SEIO BENG
CHIEW YUEN CHOW (f)
CHEOK VIPING

DIRECTORS' INTEREST

In accordance with the register of Directors' shareholdings, the Directors' shareholding in the Company in respect of the Directors who were in office at the end of the year are as follows:

	Ordinary shares of RM1 each			
	Balance as at 1.11.2018	Bought	Sold	Balance as at 31.10.2019
TAN SEIO BENG	58,000	-	-	58,000
CHAN KWEI LING	42,000	-	-	42,000

DIRECTORS' BENEFITS

Since the date of last report, no Directors of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Directors or with a firm of which the Directors is a member, or with a company in which the Directors has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party to any arrangements whose object is 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.

ISSUES OF SHARES

Since the date of last report, the Company did not issue any shares.

OTHER STATUTORY INFORMATION

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

i. all known bad debts have been written off and that adequate provision has been made for doubtful debts, and

ii. any current assets which were unlikely to be realized in the ordinary course of business have been written down to an amount which they might be expected so to realize.

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

i. which would render the amounts written off of bad debts or the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent, or

ii. which would render the value attributed to the current assets in the financial statements of Company misleading, or

iii. which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or

iv. not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:-

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

ii. any contingent liability of the Company has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the year of twelve months after the end of financial year which, in the opinion of the Directors, will or may affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 October 2019 have not been substantially effected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

AUDITORS

The auditors, Hishamuddin & Partners, (AF 002097) have expressed their willingness to continue as auditor of the Company for the next financial year.

Signed on behalf of the Board of Directors in accordance with the resolution of the Directors

TAN SEIO BENG	**CHIEW YUEN CHOW (f)**
Director	Director

Kuala Lumpur, Malaysia

Date: 17 JUL 2020

ALPHA AIM (M) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
Pursuant to Section 251 of the Companies Act, 2016

We, **TAN SEIO BENG** and **CHIEW YUEN CHOW (f)**, being the Directors of **ALPHA AIM (M) SDN. BHD.**, state that in the opinion of the Directors, the financial statements are drawn up in accordance with the requirement of the Companies Act, 2016 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 31 October 2019 and of its results and cash flow for the year ended on that date.

Signed on behalf of the Board of Directors in accordance with the resolution of the Directors

TAN SEIO BENG Director	**CHIEW YUEN CHOW (f)** Director

Kuala Lumpur, Malaysia

Date: 17 JUL 2020

STATUTORY DECLARATION
Pursuant to Section 251 of the Companies Act, 2016

I, **TAN SEIO BENG** , being the Director primarily responsible for the financial management of **ALPHA AIM (M) SDN. BHD.**, do solemnly and sincerely declare that the financial statements are to the best of my knowledge and belief 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)
above named **TAN SEIO BENG**)
at Brickfields, in the state of)
Kuala Lumpur. On this day of)
17 JUL 2020

TAN SEIO BENG
Director

Before me,

PESURUHJAYA SUMPAH MALAYSIA
W728
HJ. WAN AZMAN B.
HJ. WAN ABDULLAH

....
Commissioner for Oaths

Suite 2-5-4, 5th Floor,
Menara KLH Business Centre
No. 2, Jalan Kasipillay, Off Jalan Ipoh,
Batu 2 ½, 51200 Kuala Lumpur
Tel: 0196423949
E-mail: wan.azman09@gmail.com

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ALPHA AIM (M) SDN. BHD.
(Company No.307620-A)
(Incorporated in Malaysia)

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of **ALPHA AIM (M) SDN. BHD**, which comprise the Statement Of Financial Position as at 31 October 2019, and the Statement Of Comprehensive Income, Statement Of Changes In Equity and Statement Of Cash Flows for the period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 11 to 26.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 October 2019, and of its financial performance and its cash flows for the period then ended in accordance with Malaysian Private Entities Reporting Standards (MPERS) and the requirements of the Companies Act, 2016 in Malaysia.

Basis of Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. 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 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' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The Director of the Company are responsible for the other information. The other information comprises the Director's Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements 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 financial statements 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 Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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Tel : +603-2276 1592 Web: www.hpgroupbiz.com

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ALPHA AIM (M) SDN. BHD.
(Company No.307620-A)
(Incorporated in Malaysia)

Responsibilities of the Director for the Financial Statements

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

In preparing the financial statements of the Company, the Director are responsible for assessing 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 Director either intend to liquidate 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 Company as a whole are 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 International Standards on Auditing 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 the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements 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.

- 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALPHA AIM (M) SDN. BHD.
(Company No.307620-A)
(Incorporated in Malaysia)

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

- Conclude on the appropriateness of the Director's 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 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 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 Company to cease to continue as a going concern.

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

We communicate with the Director 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.

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.

HISHAMUDDIN & PARTNERS
AF NO : 002097
Chartered Accountants

HAJI MOHD. HISHAMUDDIN BIN ABU HASSAN
01797/09/2021 J
Chartered Accountant

Kuala Lumpur
Dated : 17 JUL 2020

Company No: 307620-A

ALPHA AIM (M) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2019

	Notes	2019 RM	2018 RM
Non-current assets			
Property, plant and equipment	5	16,667,101	17,035,737
Current assets			
Inventories		4,986,925	5,931,044
Receivables	6	13,235,190	13,100,418
Other receivables	6	367,584	474,170
Deposit & prepayment	6	226,472	89,173
Tax credit	20	212,529	200,122
Cash and bank balances	13	816,146	563,206
Total current assets		19,844,846	20,358,133
TOTAL ASSETS		36,511,947	37,393,870
Equity :			
Share capital	7	100,000	100,000
Retained earnings		23,915,816	21,916,264
Total equity		24,015,816	22,016,264
Current liabilities			
Trade payables	8	8,966,858	11,078,630
Accrual & provision	8	256,392	885,347
Term loan	9	-	249,600
Total current liabilities		9,223,250	12,213,577
Non-current liabilities			
Term loan (secured)	9	3,272,881	3,164,029
		3,272,881	3,164,029
TOTAL EQUITY AND LIABILITIES		36,511,947	37,393,870

See accompanying notes to the financial statements

Company No: 307620-A

ALPHA AIM (M) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 OCTOBER 2019

	Notes	2019 RM	2018 RM
Countinuing Operations:			
Revenue		58,286,561	62,503,238
Cost of sales and direct expenses		(52,629,103)	(56,760,209)
GROSS PROFITS		5,657,458	5,743,029
Add : Other Income			
Rental income		10,000	-
Interest received		4,475	7,881
Other income		57,728	6,846
Unrealised exchange gain		3,299	-
Gain on disposal of fixed asset		-	465,000
Exchange Gain		20,168	30,316
		5,753,128	6,253,072
Less :			
Administrative and general expenses		(964,936)	(641,675)
Other operating expenses		(445,731)	(347,166)
Profit from operations	11	4,342,461	5,264,231
Finance cost	12	(167,971)	(139,021)
Profit before tax		4,174,490	5,125,210
Taxation expense	20	(1,174,938)	(1,090,000)
Profit after tax		2,999,552	4,035,210

ALPHA AIM (M) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2019

	Attributable Contributed	to ownwers of the Company Retained	
		Accumulated	
	Share Capital	losses	Total
31 October 2019	RM	RM	RM
Balance as at 31 October 2018			
As previously reported	100,000	21,916,264	22,016,264
Effects of adopting MPERS	-	-	-
Restated balance as 01 November 2018	100,000	21,916,264	22,016,264
Non-owner changes in equity			
Dividend		(1,000,000)	(1,000,000)
Profit for financial year	-	2,999,552	2,999,552
Profit and total comprehensive profit for the year	-	2,999,552	2,999,552
Balance as at 31 October 2019	**100,000**	**23,915,816**	**24,015,816**

	Attributable Contributed	to ownwers of the Company Retained	
		Accumulated	
	Share Capital	losses	Total
31 October 2018	RM	RM	RM
Balance as at 30 October 2017			
As previously reported	100,000	17,881,054	17,981,054
Effects of adopting MPERS	-	-	-
Restated balance as 01 November 2017	100,000	17,881,054	17,981,054
Non-owner changes in equity			
Profit for financial year	-	4,035,210	4,035,210
Profit and total comprehensive profit for the year	-	4,035,210	4,035,210
Balance as at 31 October 2018	100,000	21,916,264	22,016,264

Company No: 307620-A

ALPHA AIM (M) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 OCTOBER 2019

	Notes	2019 RM	2018 RM
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		4,174,490	5,125,209
Adjustments for :			
Depreciation of property, plant and equipment		1,549,549	1,225,775
Interest expenses		165,734	137,543
Interest income		(4,475)	(7,881)
(Loss)/Gain on disposal of property,plant and equipment		-	(465,000)
Operating profit before working capital changes		5,885,298	6,015,646
(Increase)/Decrease in Receivables		(165,484)	1,715,164
(Increase)/Decrease in Inventories		944,120	(169,155)
Increase/(Decrease) in Payables		(2,740,729)	(1,222,591)
Incease/(Decrease) in amount by a director		-	(135,310)
Cash used in from operating activities		3,923,205	6,203,754
Tax paid		(1,599,996)	(1,507,000)
Tax refund		412,651	-
Interests paid		(165,734)	(137,543)
Interest received		4,475	7,881
Net cash outflow / inflow from operating activities		2,574,601	4,567,092
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,000,000)	-
Procceds from term loan		165,763	1,356,716
Repayment of term loans		(306,510)	(14,411,237)
Net cash inflow / outflow sby financing activities		(1,140,747)	(13,054,521)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of poperty		-	3,100,000
Purrchase of property, plant and equipment		(1,180,914)	(6,290,379)
Net cash outflows used by investing activities		(1,180,914)	(3,190,379)
Net increase in cash and cash equivalents		252,940	(207,808)
Cash and cash equivalents at 1 November		563,206	771,014
Cash and cash equivalents at 31 October	13	816,146	563,206

ALPHA AIM (M) SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 OCOTBER 2019

1. GENERAL INFORMATION

The Company Alpha Aim (M) Sdn. Bhd., is a private limited company, incorporated and domiciled in Malaysia. The company is principally engaged in manufacturing and trading industrial chemicals detergent and related products. There have been no significant changes in the nature of these activities during the financial year.

The Company's registered office is located at UOA Business Park, Tower 3, 5th floor, K03-05-13A, 1 Jalan Pengaturcara U1/51A, 40159 Shah Alam, Selangor Darul Ehsan.

The financial statements of the Company are represented in Ringgit Malaysia (RM).

The financial statements were authorised for issue by the Board of Directors on ....

2. COMPLIANCE WITH FINANCIAL REPORTING STANDARDS AND COMPANIES ACT

The financial statements have been prepared in compliance with the Malaysian Private Entities Reporting Standard (MPERS) issued by the Malaysian Accounting Standards Board (MASB) and the provisions of the Malaysian Companies Act, 2016.

3. BASIS OF PREPARATIONS

The financial statements of the Company have been prepared using cost and fair value bases.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment (PPE)

Operating tangible assets they are used for more than one accounting period in the production and supply of goods and services, for administrative purpose or for rental to others are recognised as property plant and equipment when the Company obtains control of the assets.The assets, including major spares, servicing equipment and stand-by equipment ,are classified into appropriate classes based on the nature. Any subsequent replacement of a significant component in an existing asset is capitalised as a new component in the asset and the old component is derecognised.

All property, plant and equipment are initially measured at cost. For a purchased asset, cost comprises purchase price plus all directly attributable costs incurred in bringing the asset to its present location and condition for management's intended use. For a self-constructed asset, cost comprises all direct and indirect costs of construction (including provision for restoration and cost of major inspection) but excludes internal profits.

4.1 Property, plant and equipment (PPE) (Cont'd)

All property, plant and equipments are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

All other property, plant and equipment are depreciated by allocating the depreciable amount of a significant component or of an item over the remaining useful life. The depreciation methods used and useful lives of the respective classes of property, plant and equipment are as follows :

	Method	Percentage %
Land and buildings	Straight- line	2%
Plant and machinery	Straight- line	25%
Motor Vehicle	Straight- line	20%
Office Equipment	Straight- line	10%
Renovation	Straight- line	25%
Furniture and fittings	Straight- line	10%

4.2 Share Capital and Distributions

(a) Share Capital

Ordinary shares and non-redeemable preference share issued that carry no put option and no mandatory contractual obligation : (i) to deliver cash or another financial asset; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company, are classified as equity instruments.

When ordinary shares and other equity instruments are issued in a private placement or in a right issue to existing shareholders, they are recorded at the issue price. For ordinary shares and other equity instruments issued in exchange for non-monetary assets, they are measured by reference to the fair values of the assets received.

When ordinary shares and other equity instruments are issued as consideration transferred in a business combination or as settlement of an existing financial liability, they are measured at their fair value at the date of the exchange transaction.

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax effect.

4.3 Financial Instruments

(a) Initial Recognition and Measurement

The Company recognises a financial asset or a financial liability (including derivative instruments) in the statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument.

On initial recognition, all financial assets and financial liabilities are measured at fair value, which is generally the transaction price, plus transaction costs if the financial asset or financial liability is not measures at fair value through profit or loss. For instruments measured at fair value through profit or loss, transaction costs are expensed to profit or loss when incurred.

(b) Derecognition of Financial Instruments

A financial asset is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire, or when the Company transfers the contractual rights to receive cash flows of the financial asset, including circumstances when the Company acts only as a collecting agent of the transferee, and retains no significant risks and rewards of ownership of the financial asset or no continuing involvement in the control of the financial asset transferred.

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of the new financial liability. For the purpose, the Company considers a modification as substantial if the present value of the revised cash flows of the modified terms discounted at the original effective interest rate differs by 10% or more when compared with the carrying amount of the original liability.

(c) Subsequent Measurement of Financial Liabilities

After initial recognition, all financial liabilities are measured at amortised cost using the effective interest method.

(d) Fair Value Measurement of Financial Instruments

The fair value of financial asset or a financial liability is determined by reference to the quoted market price in an active market, and in the absence of an observable market price, by a valuation technique using reasonable and supportable assumptions.

(e) **Recognition of Gains and Losses**

Fair value changes of financial assets and financial liabilities classified as at fair value through profit or loss are recognised in profit or loss when they arise.

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in profit or loss only when the financial asset or financial liability is derecognised or impaired, and through the amortisation process of the instrument.

4.4 Tax Assets and Tax Liabilities

A current tax for current and prior years, to the extend unpaid, is recognised as a current tax liability. If the amount already paid in respect of current and prior years exceeds the amount due for those years, the excess is recognised as a current tax asset. A current tax liability (asset) is measured at the amount the Company expects to pay (recover) using tax rates and laws that have been enacted or substantially enacted by the reporting date.

A deferred tax liability is recognised for all taxable temporary differences, expect to the extent that the deferred tax liability arises from : (a) the initial recognition of goodwill; or (b) the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (or tax loss). The exceptions for initial recognition differences include items of property, plant and equipment that do not qualify for capital allowances and acquired intangible assets that are not deductible for tax purposes.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affect neither accounting profit nor taxable profit (or tax loss). The exceptions for the initial recognition differences include non-taxable government grants received and reinvestment allowances and investment tax allowances on qualifying property, plant and equipment.

Deferred taxes are measured using tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting year. The measurement of deferred taxes reflect the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting year, to recover or settle the carrying amount of its assets or liabilities. For an investment property measured at fair value, the Company does not have a business model to hold the property solely for rental income, and hence, the deferred tax liability on the fair value gain is measured based on the presumption that the property is recovered through sale at the end of the reporting year.

4.4 Tax Assets and Tax Liabilities (Cont'd)

At the end of each reporting year, the carrying amount of a deferred tax asset is reviewed, and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of a part or all of that deferred tax asset to be utilised. Any such reduction will be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

A current or deferred tax is recognised as income or expense in profit or loss the year. For items recognised directly in equity, the related tax effect is also recognised directly in equity.

4.5 Employee Benefits

The Company recognises a liability when an employee has provided service in exchange for employees benefits to be paid in the future and expense when the Company consumes the economic benefits arising from services provided by an employee in exchange for employee benefits.

(a) Short-Term Employee Benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Company.

Paid absences (annual leave, maternity leave, paternity leave, sick leave, etc.) are accrued in each year if they are accumulating paid absences that can be carried forward, or in the case of non-accumulating paid absences, recognised as and when the absences occur.

(b) Post-Employment Benefits - Defined Contribution Plans

The Company makes statutory contributions to approved provident funds and the contributions made are charged to profit or loss in the year to which they relate. When the contributions have been paid, the Company has no further payment obligations.

4.6 Revenue Recognition and Measurement

Revenue is recognised when it is probable that the economic benefit associated with the transaction will flow to the company and the amount of revenue can be measured reliably.

4.7 Cash and cash equivalent

Cash and cash equivalent comprise cash in hand and at bank, including bank overdrafts and deposits with financial institution and short term investment which are readily convertible to known amounts of cash and which are subject to an insignificant risk of a change in value.

4.8 Receivable

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Allowance for doubtful debts is made when collection of the full amount is no longer probable. Bad debt are written off as incurred.

4.9 Payables

Other payables are started at cost which is the fair value at the consideration to be paid in the future for goods and services received.

4.10 Leases

(a) Finance Leases

Leases of property, plant and equipment are classified as finance lease where substantially all the risks and benefits incidental to the ownership of the assets, but not legal ownership, are transferred to the company.

The Company initially recognises its right of use and obligations under finance leases as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased assets or, if lower the present value of the minimum lease payments, determined at the inception of the leases. Any initial direct costs are added to the amount recognised as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the effective interest method. A finance charge is allocated to each year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as an expense in the period in which they are incurred.

The depreciation policy for depreciable leased assets is consistent with that of depreciable assets that are owned. If there is no reasonable certainty that the Company will obtained ownership by the end of the lease term, the leased assets are fully depreciated over the shorter of the lease terms and their useful life. At each reporting date, the Company assesses whether the assets leased under the finance

5. PROPERTY , PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Renovation	Motor vehicle	Office equipment	Furniture and Fittings	Total
2019	RM	RM	RM	RM	RM	RM	RM
Gross carrying amount :							
At 01 November 2018	12,858,411	7,371,187	65,740	744,069	32,297	180,913	21,252,617
Additions	-	710,714	447,721	-	18,190	4,289	1,180,914
Disposals and deletions	-	(79,610)	-	-	-	-	(79,610)
At 31 October 2019	12,858,411	8,002,291	513,461	744,069	50,487	185,202	22,353,921
Accumulated depreciation and impairment losses :							
At 01 November 2018	-	3,360,540	65,730	678,381	23,643	88,586	4,216,880
Charge for the year	72,741	1,415,240	17,314	23,886	1,932	18,436	1,549,549
Disposals and deletions	-	(79,609)	-	-	-	-	(79,609)
At 31 October 2019	72,741	4,696,171	83,044	702,267	25,575	107,022	5,686,820
Net book value at							
At 31 October 2019	12,785,670	3,306,120	430,417	41,802	24,912	78,180	16,667,101

5. PROPERTY ,PLANT AND EQUIPMENT (CONT'D)

	Land and buildings	Plant and machinery	Renovation	Motor vehicle	Office equipment	Furniture and Fittings	Total
2018	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
Gross carrying amount :							
At 01 November 2017	14,557,566	2,387,541	65,740	744,069	26,409	**180,913**	17,962,238
Additions	1,300,845	4,983,646	-	-	5,888	-	6,290,379
Disposals and deletions	(3,000,000)	-	-	-	-	-	(3,000,000)
At 31 October 2018	12,858,411	7,371,187	65,740	744,069	32,297	**180,913**	21,252,617
Accumulated depreciation and impairment losses :							
At 01 November 2017	360,000	2,182,846	65,730	654,495	22,527	**70,507**	3,356,105
Charge for the year	5,000	1,177,694	-	23,886	1,116	**18,079**	1,225,775
Disposals and deletions	(365,000)	-	-	-	-	-	(365,000)
At 31 October 2018	-	3,360,540	65,730	678,381	23,643	**88,586**	4,216,880
Net book value at							
At 31 October 2018	12,858,411	4,010,647	10	65,688	8,654	**92,327**	17,035,737

6. TRADE AND OTHER RECEIVABLES

	2019 RM	2018 RM
Receivables	**13,235,190**	13,100,418
Other debtors	**367,584**	474,170
Deposits and prepayment	**226,472**	89,173
	13,829,246	13,663,761

7. SHARE CAPITAL

	2019 No. of shares Unit	2019 Amount RM	2018 No. of shares Unit	2018 Amount RM
Authorised :				
Ordinary shares of RM1 each	**100,000**	**100,000**	100,000	100,000
Issued and fully paid-up value :				
Balances at 1 November 2018	**100,000**	**100,000**	100,000	100,000
Issued during the year	**-**	**-**	-	-
Balance at 31 October 2019	**100,000**	**100,000**	100,000	100,000

8. TRADE AND OTHER PAYABLES

	2019 RM	2018 RM
Payables	**8,966,858**	11,078,630
Other payables	**256,392**	885,347
Total carrying amount	**9,223,250**	11,963,977

9. TERM LOAN PAYABLES

	2019 RM	2018 RM
Non- current borrowings :		
Balance at 1 November	**3,413,629**	3,498,150
Additions	**581,096**	1,356,716
Repayment of term loan installment	**(472,244)**	(1,441,237)
Transfer to current borrowings	**(249,600)**	(249,600)
Total non - current borrowings [a]	**3,272,881**	3,164,029
Current borrowings:		
Balance at 1 November	**249,600**	249,600
Repayment of term loan installments	**(249,600)**	(249,600)
Transfer from non-current borrowings	**-**	249,600
Total current borrowings [b]	**-**	249,600
Total bank borrowing [a]+[b]	**3,272,881**	3,413,629

The term loans bear interest ranges from 1.5% to 3.72% per annum above the base lending rate of the licensed bank and is secured by :

i) Facility agreement;
ii) First party legal charge over Company's Land and building;
iii) Jointly and severally guaranteed by all directors of the Company;

11. PROFIT FROM OPERATIONS

	2019 RM	2018 RM
After charging :		
Audit fee	**30,000**	16,000
Salaries	**442,399**	330,525
Penalty	**33,617**	-
Rental	**646,000**	672,000
Interest expense (Note 17)	**165,734**	137,543
Staff costs (Note 21)	**2,163,826**	2,083,588
Interest income	**(4,475)**	(7,881)
Director's remuneration	**36,000**	36,000
Depreciation of property, plant and equipment	**-**	122,577

12. FINANCE COSTS

	2019 RM	2018 RM
Bank charges	**2,237**	1,478
Total finance costs recognised as an expense	**2,237**	1,478

13. CASH AND CASH EQUIVALENTS

	2019 RM	2018 RM
Cash at bank balances	**810,146**	562,206
Cash in hand	**6,000**	1,000
	816,146	563,206

14. AMOUNT DUE TO DIRECTORS

This amount is unsecured, interest free and has no fixed term of repayment.

15. DIVIDENTS PAID

	2019 RM	2018 RM
Interim dividend of current year authorised by the Board of Directors and paid in the year		
Dividend issue during the year	1,000,000	-
Total deducted from equity in the current year	1,000,000	-

16. INTEREST EXPENSE

	2019 RM	2018 RM
Term loan interest	165,734	137,543

17. INVENTORIES -AT COST

	2019 RM	2018 RM
Raw materials	4,708,640	5,484,812
Finished goods	23,729	53,203
Containers	254,556	393,029
	4,986,925	5,931,044

18. STAFF COSTS

	2019 RM	2018 RM
Salaries and allowances	1,932,103	1,878,008
EPF and socso	231,723	205,580
	2,163,826	2,083,588

19. TAXATION

	2019 RM	2018 RM
Current year income tax provision	1,174,938	1,090,000
(Over)/Under provision of income tax in prior year	-	-
	1,174,938	1,090,000

20. AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements of the Company were authorised for issue by the Board of directors on 17 JUL 2020

LODGED BY : ACCOUNTAX MANAGEMENT SERVICES SDN.BHD
UOA Business Park,
Tower3,5th Floor, K03-05-13A,
1 Jalan Pengaturcara U1/51A,
Section U1,40150 Shah alam,
Selangor Darul Ehsan.

Tel : 03-5021 1080

Audit

Registration No: 198601007949 (157140 - P)

CHEMPRO TECHNOLOGY (M) SDN. BHD.
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

31 MARCH 2020

Registration No: 198601007949 (157140 - P)

CHEMPRO TECHNOLOGY (M) SDN. BHD.

(Incorporated in Malaysia)

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CHEMPRO TECHNOLOGY (M) SDN. BHD.

(Incorporated in Malaysia)

CORPORATE INFORMATION

DIRECTORS	Tan Seio Beng Cheok Viping Chan Kwei Ling Chiew Yuen Chow
SECRETARIES	Lee Huey Ping Wong Mun Wai
REGISTERED OFFICE	UOA Business Park Tower 3, 5th Floor K03-05-13A 1 Jalan Pengaturcara U1/51A Section U1 40150 Shah Alam Selangor Darul Ehsan
PRINCIPAL PLACE OF BUSINESS	No. 2, Jalan Astana 3/KU2 Bandar Bukit Raja 41050 Klang Selangor Darul Ehsan
AUDITORS	Grant Thornton Malaysia PLT (Member Firm of Grant Thornton International Ltd.) Chartered Accountants Level 11, Sheraton Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur

CHEMPRO TECHNOLOGY (M) SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The Company is principally engaged as a general agent and trader in institutional and industrial chemicals. The principal activities of its subsidiary companies are as disclosed in Note 5 to the Financial Statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Net profit for the financial year	11,224,131	14,248,109
Profit attributable to:		
Owners of the Company	11,224,131	
Non-controlling interests	-	
	11,224,131	

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year have been disclosed in the Financial Statements.

HOLDING COMPANY

The holding company is Wetacho (M) Sdn. Bhd., a private limited liability company, incorporated and domiciled in Malaysia.

DIVIDENDS

The dividends paid since the end of the previous financial year are as follows:

	RM
In respect of the financial year ended 31 March 2020:-	
Interim dividend of RM1.90 per ordinary share paid on 1 August 2019	1,995,026
Interim dividend of RM2.86 per ordinary share paid on 27 February 2020	3,003,040
Interim dividend of RM4.14 per ordinary share paid on 2 March 2020	4,347,058
	9,345,124

On 13 July 2020, the Directors recommended an interim dividend of RM2.86 per ordinary share in respect of the financial year ended 31 March 2020 amounting to RM3,003,040 paid on 3 August 2020. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2021.

DIRECTORS

The Directors who held office during the financial year and up to the date of this report are as follows:-

Tan Seio Beng*
Cheok Viping*
Chan Kwei Ling*
Chiew Yuen Chow

* Directors of the Company and subsidiary companies

The list of Directors of the subsidiary companies are as follows:-

Pg Mohd Idris Bin Pg PCLDSN Pg Hj Damit
Hajah Sabariah Bte Haji Mudin
Pg Hj Md Sofrey Bin Pg Hj Jadid

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests of Directors in office at the end of the financial year in the shares of the Company and its related corporations are as follows:-

	Number of ordinary shares			
	At 1.4.2019	Bought	Sold	At 31.3.2020
The Company				
Direct interest:-				
Tan Seio Beng	262,507	-	-	262,507
Cheok Viping	87,500	-	-	87,500
Indirect interests:-				
Tan Seio Beng*	700,007	-	-	700,007
Cheok Viping*	700,007	-	-	700,007
The holding company				
Direct interests:-				
Tan Seio Beng	1,095,618	-	-	1,095,618
Cheok Viping	523,110	-	-	523,110

* Indirect interest by virtue of their shareholdings in the holding company, Wetacho (M) Sdn. Bhd.

By virtue of their interest in the shares of the holding company, Tan Seio Beng and Cheok Viping are deemed to have an interest in the shares of the Company and its related companies pursuant to Section 8 of the Companies Act 2016.

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than as shown in Note 21 to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company or a related corporation of which the Director has a substantial financial interest.

ISSUE OF SHARES AND DEBENTURES

There were no issuance of shares or debentures during the financial year.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

There was no indemnity coverage and insurance premium paid for Directors and Officers of the Company during the financial year.

OTHER STATUTORY INFORMATION

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

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

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

At the date of this report, the Directors are not aware of any circumstances:-

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

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

(c) 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; or

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

OTHER STATUTORY INFORMATION (CONT'D)

At the date of this report, there does not exist:-

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

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

In the opinion of the Directors:-

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

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

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

AUDITORS

Details of auditors' remuneration are set out in Note 19 to the Financial Statements.

The Group and the Company have agreed to indemnify the auditors, Grant Thornton Malaysia PLT as permitted under Section 289 of the Companies Act 2016.

The auditors, Grant Thornton Malaysia PLT have expressed their willingness to continue in office.

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

....)
TAN SEIO BENG)

DIRECTORS

....)
CHEOK VIPING

Kuala Lumpur
23 NOV 2020

Registration No: 198601007949 (157140 - P)

CHEMPRO TECHNOLOGY (M) SDN. BHD.

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 14 to 67 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 March 2020 and of their financial performance and cash flows for the financial year then ended.

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

TAN SEIO BENG

CHEOK VIPING

Kuala Lumpur
23 NOV 2020

STATUTORY DECLARATION

I, Tan Seio Beng, being the Director primarily responsible for the financial management of Chempro Technology (M) Sdn. Bhd., do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 14 to 67 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory this day of 23 NOV 2020)

TAN SEIO BENG

Before me:

PESURUHJAYA SUMPAH
Commissioner for Oaths
No: W671
RAMATHILAGAM
A/P T RAMASAMY
01.01.2019 - 31.12.2021
MALAYSIA

Tingkat 5 Wisma Harwant
Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur

Grant Thornton

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

CHEMPRO TECHNOLOGY (M) SDN. BHD.

(Incorporated in Malaysia)
Registration No: 198601007949 (157140 - P)

Grant Thornton Malaysia PLT
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

T +603 2692 4022
F +603 2691 5229

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Chempro Technology (M) Sdn. Bhd., which comprise the statements of financial position as at 31 March 2020, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 67.

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 March 2020 and of their financial performance and cash flows for the financial year then ended in accordance with 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. 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.

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Report on the Audit of the Financial Statements (cont'd)

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 Directors' Report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the Directors' Report 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 Directors' Report and, in doing so, consider whether the Directors' Report 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, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and 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 are 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 International Standards on Auditing 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 the basis of these financial statements.

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Report on the Audit of the Financial Statements (cont'd)

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

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

- 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.

- 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's and the Company's internal control.

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

- 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 or 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 or the Company to cease to continue as a going concern.

- 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 a fair presentation.

- 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 identified during our audit.

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Other Matters

1. 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.

2. The financial statements of the Group and of the Company for the financial year ended 31 March 2019 were audited by another firm of Chartered Accountants whose report dated 27 September 2019 expressed an unmodified opinion on those financial statements.

GRANT THORNTON MALAYSIA PLT
(201906003682 & LLP0022494-LCA)
CHARTERED ACCOUNTANTS (AF 0737)

DATO' N.K. JASANI
(NO: 00708/03/2022 J)
CHARTERED ACCOUNTANT

Kuala Lumpur
23 November 2020

Registration No: 198601007949 (157140 - P)

CHEMPRO TECHNOLOGY (M) SDN. BHD.

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	22,082,201	60,599,407	21,773,841	24,533,078
Investment in subsidiary companies	5	-	-	312,761	812,761
Other investments	6	3,860,420	3,247,520	3,860,420	3,247,520
Total non-current assets		25,942,621	63,846,927	25,947,022	28,593,359
Current assets					
Inventories	7	6,957,558	8,308,161	5,377,454	6,870,536
Trade receivables	8	29,973,219	24,136,101	28,823,830	23,422,734
Other receivables	9	4,661,895	4,301,310	4,453,529	4,455,336
Amount due from subsidiary companies	5	-	-	934,046	32,562,099
Amount due from related companies	10	-	-	25,741	-
Amount due from shareholders	11	557,986	25,000	557,986	25,000
Tax recoverable		-	4,793,625	-	4,655,666
Fixed deposits with licensed banks	12	22,583,714	13,095,950	22,583,714	13,075,950
Cash and bank balances		11,609,290	9,772,164	10,840,336	8,977,415
Total current assets		76,343,662	64,432,311	73,596,636	94,044,736
Total assets		102,286,283	128,279,238	99,543,658	122,638,095
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to the owners of the Company:-					
Share capital	13	1,050,014	1,050,014	1,050,014	1,050,014
Translation reserves		269,968	264,888	-	-
Retained earnings		74,375,507	72,496,500	72,206,747	67,303,762
Total equity		75,695,489	73,811,402	73,256,761	68,353,776
LIABILITIES					
Non-current liabilities					
Lease liabilities	14	556,493	821,674	556,493	821,674
Borrowings	15	6,297,126	33,374,351	6,297,126	33,374,351
Total non-current liabilities		6,853,619	34,196,025	6,853,619	34,196,025
Current liabilities					
Trade payables	16	14,910,726	14,032,176	14,910,726	14,032,176
Other payables	17	3,901,904	2,754,106	3,602,979	1,968,855
Amount due to holding company	10	86,857	-	86,857	-
Amount due to subsidiary companies	5	-	-	-	601,734
Amount due to shareholders	11	86,260	81,700	86,260	81,700
Lease liabilities	14	322,692	335,239	322,692	335,239
Borrowings	15	373,374	3,068,590	373,374	3,068,590
Tax payable		55,362	-	50,390	-
Total current liabilities		19,737,175	20,271,811	19,433,278	20,088,294
Total liabilities		26,590,794	54,467,836	26,286,897	54,284,319
Total equity and liabilities		102,286,283	128,279,238	99,543,658	122,638,095

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

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CHEMPRO TECHNOLOGY (M) SDN. BHD.

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STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Revenue	18	113,448,476	111,579,145	109,645,223	109,120,726
Cost of sales		(63,781,002)	(67,259,001)	(63,797,586)	(67,138,917)
Gross profit		49,667,474	44,320,144	45,847,637	41,981,809
Other income		6,590,014	1,812,186	4,819,707	1,806,175
Finance income		133,616	204,759	133,616	204,759
Impairment loss on financial assets		-	(1,250,662)	-	(1,250,662)
Fair value adjustments		612,900	(389,055)	612,900	(389,055)
Selling and distribution expenses		(24,596,192)	(26,744,856)	(24,335,645)	(26,348,595)
Administration expenses		(10,680,387)	(7,137,310)	(8,887,750)	(8,067,796)
Other expenses		(6,031,912)	(117,157)	(247,425)	(225,553)
Finance costs		(1,088,126)	(2,003,922)	(372,931)	(463,737)
Profit before tax	19	14,607,387	8,694,127	17,570,109	7,247,345
Tax expenses	20	(3,383,256)	(3,675,385)	(3,322,000)	(2,838,667)
Net profit for the financial year		11,224,131	5,018,742	14,248,109	4,408,678
Other comprehensive income:					
Item that will not be reclassified subsequently to profit or loss					
Foreign currency translation differences arising from foreign subsidiary companies		5,080	48,056	-	-
Total comprehensive income for the financial year		11,229,211	5,066,798	14,248,109	4,408,678

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

CHEMPRO TECHNOLOGY (M) SDN. BHD.
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STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	Note	Share capital RM	Translation reserves RM	Retained earnings RM	Total RM
Group					
Balance as at 1 April 2018		1,050,014	216,832	69,472,785	70,739,631
Dividends paid	A	-	-	(1,995,027)	(1,995,027)
Total comprehensive income for the financial year		-	48,056	5,018,742	5,066,798
Balance as at 31 March 2019		1,050,014	264,888	72,496,500	73,811,402
Dividends paid	A	-	-	(9,345,124)	(9,345,124)
Total comprehensive income for the financial year		-	5,080	11,224,131	11,229,211
Balance as at 31 March 2020		1,050,014	269,968	74,375,507	75,695,489
Company					
Balance as at 1 April 2018		1,050,014	-	64,890,111	65,940,125
Dividends paid	A	-	-	(1,995,027)	(1,995,027)
Total comprehensive income for the financial year		-	-	4,408,678	4,408,678
Balance as at 31 March 2019		1,050,014	-	67,303,762	68,353,776
Dividends paid	A	-	-	(9,345,124)	(9,345,124)
Total comprehensive income for the financial year		-	-	14,248,109	14,248,109
Balance as at 31 March 2020		1,050,014	-	72,206,747	73,256,761

NOTE TO THE STATEMENTS OF CHANGES IN EQUITY

A. DIVIDENDS

	Group and Company 2020 RM	Group and Company 2019 RM
In respect of the financial year ended 31 March 2020:		
Interim dividend of RM1.90 per ordinary share paid on 1 August 2019	1,995,026	-
Interim dividend of RM2.86 per ordinary share paid on 27 February 2020	3,003,040	-
Interim dividend of RM4.14 per ordinary share paid on 2 March 2020	4,347,058	-
In respect of the financial year ended 31 March 2019:		
Interim dividend of RM1.90 per ordinary share paid on 21 November 2018	-	1,995,027
	9,345,124	1,995,027

On 13 July 2020, the Directors recommended an interim dividend of RM2.86 per ordinary share in respect of the financial year ended 31 March 2020 amounting to RM3,003,040 paid on 3 August 2020. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2021.

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

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CHEMPRO TECHNOLOGY (M) SDN. BHD.

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STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
OPERATING ACTIVITIES					
Profit before tax		14,607,387	8,694,127	17,570,109	7,247,345
Adjustments for :-					
Impairment loss on financial assets		-	1,250,662	-	1,250,662
Depreciation of property, plant and equipment		5,310,986	5,840,298	4,928,425	5,268,919
Gain on disposal of property, plant and equipment		(5,623,313)	(785,603)	(19,059)	(785,603)
Loss/(gain) on disposal of a subsidiary company		5,836,355	-	(3,845,000)	-
Bad debt written off		247,425	186,555	247,425	186,555
Property, plant and equipment written off		-	38,997	-	38,997
Inventories written off		-	198,971	-	198,971
Interest expenses		1,088,126	2,003,922	372,931	463,737
Dividend income		(20,592)	(16,896)	(20,592)	(16,896)
Interest income		(113,024)	(187,863)	(113,024)	(187,863)
Fair value adjustments		(612,900)	389,055	(612,900)	389,055
Unrealised gain on foreign exchange		(327,452)	(495,981)	(327,452)	(495,981)
Operating profit before working capital changes		20,392,998	17,116,244	18,180,863	13,557,898
Changes in working capital :-					
Inventories		1,350,603	(2,814,870)	1,493,082	(2,269,212)
Receivables		(17,036,986)	(843,730)	(5,646,714)	(809,757)
Payables		33,487,902	660,986	2,512,674	53,858
Subsidiary companies		-	-	(968,107)	(657,001)
Cash generated from operations		38,194,517	14,118,630	15,571,798	9,875,786
Tax paid		(3,067,059)	(5,968,929)	(3,067,059)	(5,211,783)
Tax refunded		4,532,790	-	4,451,115	-
Interest received		113,024	187,863	113,024	187,863
Net cash from operating activities		39,773,272	8,337,564	17,068,878	4,851,866
INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment		11,482,430	3,466,498	132,430	1,754,841
Purchase of property, plant and equipment	A	(2,209,456)	(4,927,249)	(2,052,559)	(3,118,384)
Repayments from subsidiary companies		-	-	31,862,435	3,283,450
Repayment from/(advances to) related companies		-	1,528,432	(25,741)	-
(Advances to)/repayment from shareholders		(532,986)	341,509	(532,986)	341,509
Dividend received		20,592	16,896	20,592	16,896
Net cash inflow from disposal of a subsidiary company		3,084,391	-	4,345,000	-
Net cash from investing activities		11,844,971	426,086	33,749,171	2,278,312

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STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020 (CONT'D)

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
FINANCING ACTIVITIES	D				
Repayments of borrowings		(29,772,441)	(5,254,064)	(29,772,441)	(5,254,064)
Repayments of lease liabilities		(507,728)	(501,546)	(507,728)	(501,546)
Interest paid		(1,088,126)	(2,003,922)	(372,931)	(463,737)
Dividends paid		(9,345,124)	(1,995,027)	(9,345,124)	(1,995,027)
Advances from holding company		86,857	-	86,857	-
Advances from subsidiary companies		-	-	131,991	109,683
Net cash used in financing activities	B	(40,626,562)	(9,754,559)	(39,779,376)	(8,104,691)
CASH AND CASH EQUIVALENTS					
Net changes		10,991,681	(990,909)	11,038,673	(974,513)
Brought forward		22,868,114	23,265,180	22,053,365	22,527,657
Effect of exchange translation differences		333,209	593,843	332,012	500,221
Carried forward	C	34,193,004	22,868,114	33,424,050	22,053,365

NOTES TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

The Group and the Company acquired property, plant and equipment with aggregate costs of RM2,439,456 and RM2,282,559 (2019: RM5,331,249 and RM3,522,384) of which RM230,000 and RM230,000 (2019: RM404,000 and RM404,000) respectively were acquired by means of lease arrangements. Cash payments of RM2,209,456 and RM2,052,559 (2019: RM4,927,249 and RM3,118,384) respectively were made by the Group and the Company to purchase such property, plant and equipments.

B. CASH OUTFLOWS FOR LEASES AS A LESSEE

	Group 2020 RM	Company 2020 RM
Included in net cash from operating activities:-		
Payments related to short-term leases	1,824,044	2,861,980
Included in net cash used in financing activities:-		
Payment related to lease liabilities	507,728	507,728
Interest paid in relation to lease liabilities	46,718	46,718
Total cash outflows for leases	2,378,490	3,416,426

CHEMPRO TECHNOLOGY (M) SDN. BHD.
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STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020 (CONT'D)

NOTES TO THE STATEMENTS OF CASH FLOWS (CONT'D)

C. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following:-

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Fixed deposits with licensed banks	22,583,714	13,095,950	22,583,714	13,075,950
Cash and bank balances	11,609,290	9,772,164	10,840,336	8,977,415
	34,193,004	22,868,114	33,424,050	22,053,365

D. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	At beginning of the financial year RM	Cash flows RM	Acquisition of property, plant and equipment RM	At end of the financial year RM
Group				
2020				
Lease liabilities	1,156,913	(507,728)	230,000	879,185
Borrowings	36,442,941	(29,772,441)	-	6,670,500
	37,599,854	(30,280,169)	230,000	7,549,685
2019				
Lease liabilities	1,254,459	(501,546)	404,000	1,156,913
Borrowings	41,697,005	(5,254,064)	-	36,442,941
	42,951,464	(5,755,610)	404,000	37,599,854
Company				
2020				
Lease liabilities	1,156,913	(507,728)	230,000	879,185
Borrowings	36,442,941	(29,772,441)	-	6,670,500
	37,599,854	(30,280,169)	230,000	7,549,685
2019				
Lease liabilities	1,254,459	(501,546)	404,000	1,156,913
Borrowings	41,697,005	(5,254,064)	-	36,442,941
	42,951,464	(5,755,610)	404,000	37,599,854

1. GENERAL INFORMATION

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at UOA Business Park, Tower 3, 5th Floor, K03-05-13A, 1 Jalan Pengaturcara U1/51A, Section U1, 40150 Shah Alam, Selangor Darul Ehsan. The principal place of business of the Company is located at No. 2, Jalan Astana 3/KU2, Bandar Bukit Raja, 41050 Klang, Selangor Darul Ehsan.

The Company is principally engaged as a general agent and trader in institutional and industrial chemicals. The principal activities of its subsidiary companies are as disclosed in Note 5 to the Financial Statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

The holding company is Wetacho (M) Sdn. Bhd., a private limited liability company, incorporated and domiciled in Malaysia.

The financial statements were authorised for issue by the Directors in accordance with a resolution of the Directors passed on 23 November 2020.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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 ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

2.2 Basis of measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group and the Company.

2. BASIS OF PREPARATION (CONT'D)

2.2 Basis of measurement (cont'd)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using 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.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at each reporting date.

The Group and the Company have established control framework in respect to the measurement of fair values of financial instruments. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Board of Directors. The valuation team regularly reviews significant unobservable inputs and valuation adjustments.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2.3 Functional and presentation currency

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

2. BASIS OF PREPARATION (CONT'D)

2.4 Adoption of new standards/amendments/improvements to MFRSs

The Group and the Company have applied the accounting policies set out in Note 3 to all years presented in these financial statements.

At the beginning of the current financial year, the Group and the Company adopted new standards/amendments/improvement to MFRSs which are mandatory for the current financial year.

Initial application of the amendments/improvements to the standards did not have material impact to the financial statements of the Group and of the Company.

2.5 Standards issued but not yet effective

The Group and the Company have not applied the following MFRSs and amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and for the Company:

Amendments to MFRSs and Amendments to References to the Conceptual Framework Standards effective 1 January 2020:-	
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 7*#, 9*# and 139*#	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to References to Conceptual Framework on MFRS Standards	
Amendment to MFRS effective 1 June 2020:-	
Amendment to MFRS 16	Covid-19-Related Rent Concessions
Amendments to MFRS effective 1 January 2022:-	
Amendments to MFRS 3*#	References to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018-2020	
MFRS and Amendments to MFRS effective 1 January 2023:-	
MFRS 17*#	Insurance Contracts
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current
Amendments to MFRS – effective date deferred indefinitely:-	
MFRS 10 and 128*	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

* Not applicable to the Company's operations
\# Not applicable to the Group's operations

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards issued but not yet effective (cont'd)

Amendments to MFRS 101 and MFRS 108: Definition of Material

In October 2018, the MASB issued amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Group and the Company intend to adopt these new and amended standards and interpretations, if applicable, when they become effective.

The above amendments are not expected to have a significant impact on the Group's and the Company's financial statements.

2.6 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and the Company's accounting policies and reported amounts of assets, liabilities, income, expenses and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

2.6.1 Estimation uncertainty

Information about significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below:-

Useful lives of depreciable assets

Management estimates the useful lives of property, plant and equipment and right-of-use assets to be within 5 to 60 years and reviews the useful lives of the depreciable assets at each reporting date. As at 31 March 2020, management assesses that the useful lives represent the expected utility of the assets to the Group and the Company. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting the adjustment to the Group's and the Company's assets.

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's and the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable value, management takes into account the most reliable evidence available at the time the estimates are made. The Group's and the Company's core business is subject to economical and technological changes which may cause selling prices to change rapidly and the Group's and the Company's profit to change.

The management reviews inventories to identify damaged, obsolete and slow moving inventories which require judgement and changes in such estimates could result in revision to the valuation of inventories.

Provision for expected credit losses ("ECLs") of trade receivables

The Group and the Company use a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by customer type and rating, coverage by letter of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's and the Company's historical observed default rates. The Group and the Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

Provision for expected credit losses ("ECLs") of trade receivables (cont'd)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to change in circumstances and forecast economic condition. The Group's and the Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's and the Company's trade receivables is disclosed in Note 23 to the Financial Statements.

Income taxes

Significant judgement is involved in determining the Group's and the Company's 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 and the Company recognise tax 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 difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company applies the significant accounting policies, as summarised below, consistently throughout all years presented in the financial statements.

3.1 Consolidation

3.1.1 Subsidiary companies

Subsidiary companies are entities, including structured entities controlled by the Company. Control exists when the Company is exposed, 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. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Company considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in a subsidiary companies are stated at cost less any impairment losses in the Company's statement of financial position, unless the investment is held for sale or distribution.

Upon the disposal of investment in a subsidiary company, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

3.1.2 Basis of consolidation

The Group financial statements consolidate the audited financial statements of the Company and all of its subsidiaries, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiaries are all drawn up to the same reporting date.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in asset, such as inventory and property, plant and equipment) are eliminated in full in preparing the consolidated financial statements. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.3 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

3.1.4 Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.5 Non-controlling interests

Non-controlling interests, if any, at the reporting date, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests, if any, in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests, if any, in a subsidiary are allocated to the non-controlling interests even if that results in a deficit balance.

3.2 Foreign currency translation

The Group's consolidated financial statements are presented in RM, which is also the Group's functional currency.

3.2.1 Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising in translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency translation (cont'd)

3.2.2 Foreign operations

The assets and liabilities of operations denominated in functional currencies other than RM, including fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting date. The income and expenses of foreign operations are translated to RM at exchange rates at the date 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, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary 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.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in foreign currency translation reserve in equity.

3.3 Property, plant and equipment

All property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

Freehold land is stated at cost, and has an indefinite useful life and is therefore not depreciated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the eastimated useful life, at the following annual rates:

Buildings	2%
Furniture and fittings and warehouse fittings	10%
Office and kitchen equipment	10%
Plant and machineries	25%
Air-conditioners	10%
Signboard	25%
Equipment on loan	25%
Forklift and machine	20%
Motor vehicles	20%
Renovation	20%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful lives and depreciation methods are reviewed at each financial year end, and adjusted prospectively, if appropriate 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 items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss in the year the property, plant and equipment is derecognised.

3.4 Financial instruments

A financial instrument is any contract that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.4.1 Financial assets

Initial recognition and measurement

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

3.4.1 Financial assets (cont'd)

Initial recognition and measurement (cont'd)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have has applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets are classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group and the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

3.4.1 Financial assets (cont'd)

Subsequent measurement (cont'd)

At the reporting date, the Group and the Company carry only financial assets at amortised cost and financial assets at fair value through profit or loss on its statements of financial position.

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's and the Company's financial assets at amortised cost include trade and other receivables, amounts due from subsidiary companies, related companies and shareholders, fixed deposits with licensed banks and cash and bank balances.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed and non-listed equity investments which the Group and the Company had not irrevocably elected to classify at fair value through OCI. Dividends are recognised as income in the statements of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or

- The Group and the Company have transferred their rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

3.4.1 Financial assets (cont'd)

Derecognition (cont'd)

When the Group and the Company have transferred their rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

Impairment

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognise a loss allowance based on life time ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and the Company consider a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.4 **Financial instruments (cont'd)**

3.4.2 **Financial liabilities**

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables, lease liabilities, borrowings and amounts due to holding company, subsidiary companies, related companies and shareholders.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

At the reporting date, the Group and the Company carry only financial liabilities at amortised cost on its statement of financial position.

Financial liabilities at amortised cost

After initial recognition, carrying amounts are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3.4.3 **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group and the Company base their impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's and the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

3.6 Leases

Accounting policy applicable from 1 April 2019

The Group and the Company have applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 April 2019. Accordingly, the comparable information presented for 2019 has not been restated, i.e. it is presented as previously reported under MFRS 117, leases and related interpretation.

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.6.1 As lessee

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases (cont'd)

Accounting policy applicable from 1 April 2019 (cont'd)

3.6.1 As lessee (cont'd)

3.6.1.1 Right-of-use assets

The Group and the Company recognise right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follow:

- Motor vehicles – 5 years

If ownership of the leased asset transfers to the Group or the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment test as set out in Note 3.5 to the Financial Statements.

On the statements of financial position, right-of-use assets have been included in property, plant and equipment.

3.6.1.2 Lease liabilities

At the commencement date of the lease, the Group and the Company recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Company and payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Company use their incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases (cont'd)

Accounting policy applicable from 1 April 2019 (cont'd)

3.6.1 As lessee (cont'd)

3.6.1.3 Short-term lease and lease of low-value assets

The Group and the Company apply the short-term lease recognition exemption to its short-term leases. It also applies the lease of low-value assets recognition exemption to lease of that are considered to be low-value. Lease payments on short-term leases and lease of low-value assets are recognised as expenses on a straight-line basis over the lease term.

3.6.2 As lessor

Leases in which the Group or the Company do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Contingent rents are recognised as other income in the year in which they are earned.

Accounting policy applicable up to 31 March 2019

3.6.3 Finance leases

Leases in terms of which the Group or the Company assume substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company or the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases (cont'd)

Accounting policy applicable up to 31 March 2019 (cont'd)

3.6.4 Operating leases

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting year in which they incurred.

3.7 Inventories

Inventories consist of trading goods and are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, fixed deposits demand deposits, bank overdraft and short term highly liquid invetsments which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the reporting date are classified as non-current assets.

3.9 Equity instruments and reserves

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

Retained earnings include all current year's profit and prior years' retained earnings.

Translation reserves represent 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.

All transactions with the owners of the Company are recorded separately within equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Employees benefits

3.10.1 Short-term employees benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by the employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by the employees that increase their entitlement to future compensated absences, short term non-accumulating compensated absences such as sick leave are recognised when the absences occurred.

3.10.2 Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employees benefits relating to employees services in the current and preceding financial years.

Such contributions are recognised as expenses in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

3.11 Revenue

3.11.1 Revenue from contract with customers

Revenue is recognised as and when a performance obligation in the contract with customer is satisfied, i.e when the "control" of the goods or services underlying the particular performance obligation is transferred to customer.

A performance obligation is a promise to transfer a distinct goods and services (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implies in the Group's or the Company's customary business practices.

Revenue is measured at the amount of consideration to which the Group or the Company expect to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties such as goods and services taxes.

If the amount of consideration varies due to discounts, refunds, credits, or other similar items, the Group and the Company estimate the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with the customer contains more than one performance obligation the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Revenue (cont'd)

3.11.1 Revenue from contract with customers (cont'd)

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group and the Company recognise the revenue arising from sale of goods or services at a point in time unless one of the following over time criteria is met:

(a) The customer simultaneously receives and consumes the benefits provided;

(b) The Group's or the Company's performance creates or enhances an asset that the customer control as the assets is created or enhanced; or

(c) The Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company have an enforceable right to payment for performance completed to date.

Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods. Revenue from sale of goods is recognised at a point in time upon the delivery of goods.

3.11.2 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

3.11.3 Dividend income

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

3.12 Tax expenses

3.12.1 Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and is measured using tax rates that have been enacted or substantively enacted by the end of the reporting year, and any adjustment to tax payable in respect of previous years.

Current tax is recognised in the statement of financial position as a liability (or an assets) to the extent that it is unpaid (or refundable).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Tax expenses (cont'd)

3.12.2 Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting year.

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.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings RM	Industrial buildings RM	Furniture and fittings and warehouse fittings RM	Office and kitchen equipment RM	Plant and machineries RM	Air-conditioners RM	Signboard RM	Equipment on loan RM	Forklift and machine RM	Motor vehicles RM	Renovation RM	Total RM
Cost												
Balance as at 1 April 2018	22,421,988	27,275,572	1,416,353	2,245,882	3,312,250	74,414	9,335	15,447,366	218,610	2,419,411	692,251	75,533,432
Additions	-	1,571,274	386,199	375,731	14,120	27,262	41,780	2,279,282	-	635,601	-	5,331,249
Acquisition through business combination	-	-	3,599	-	-	-	-	58,376	-	-	-	61,975
Over-recognition	-	-	(950)	(48,120)	-	-	-	-	-	-	-	(49,070)
Disposals	-	(3,803,605)	-	-	(129,250)	-	-	-	-	(400,489)	-	(4,333,344)
Written off	-	-	(16,365)	(100,418)	-	-	(5,910)	(1,830,663)	-	-	-	(1,953,356)
Transfer	-	-	3,373,572	-	-	372,038	-	-	-	-	-	3,745,610
Foreign currency translation differences	-	-	(10,307)	(208,667)	-	(6,598)	-	1,278	-	(161,148)	(41,657)	(427,099)
Balance as at 31 March 2019	22,421,988	25,043,241	5,152,101	2,264,408	3,197,120	467,116	45,205	15,955,639	218,610	2,493,375	650,594	77,909,397
Additions	-	20,941	16,185	128,674	1,100	1,389	-	1,974,787	-	290,000	6,380	2,439,456
Disposals	(3,931,482)	(2,764,448)	-	(287,037)	-	-	-	-	(83,110)	(425,155)	-	(7,491,232)
Disposal of a subsidiary company	(8,248,256)	(22,299,734)	-	-	-	-	-	-	-	-	-	(30,547,990)
Foreign currency translation differences	-	-	112	-	-	-	-	3,353	-	-	-	3,465
Written off	-	-	-	-	-	(4,747)	-	-	-	-	-	(4,747)
Balance as at 31 March 2020	10,242,250	-	5,168,398	2,106,045	3,198,220	463,758	45,205	17,933,779	135,500	2,358,220	656,974	42,308,349
Accumulated depreciation												
Balance as at 1 April 2018	342,107	989,792	83,469	1,139,713	279,657	46,741	7,262	9,482,438	173,502	957,989	446,701	13,949,371
Charge for the financial year	204,845	486,589	510,385	168,561	795,841	43,462	6,190	2,958,020	25,098	500,225	141,082	5,840,298
Foreign currency translation differences	-	-	(7,955)	(167,336)	-	(6,268)	-	1,277	-	(161,487)	(39,764)	(381,533)
Disposals	-	(18,619)	-	-	-	-	-	-	-	(183,498)	-	(202,117)
Written off	-	-	(12,331)	(65,625)	-	-	(5,907)	(1,830,496)	-	-	-	(1,914,359)
Transfer	-	-	16,509	-	-	1,821	-	-	-	-	-	18,330
Balance as at 31 March 2019	546,952	1,457,762	590,077	1,075,313	1,075,498	85,756	7,545	10,611,239	198,600	1,113,229	548,019	17,309,990
Charge for the financial year	204,846	249,971	514,190	188,361	797,236	44,936	11,301	2,717,147	15,100	481,216	86,682	5,310,986
Disposals	-	(950,185)	-	(287,036)	-	-	-	-	(83,109)	(311,785)	-	(1,632,115)
Disposal of a subsidiary company	-	(757,548)	-	-	-	-	-	-	-	-	-	(757,548)
Foreign currency translation differences	-	-	(6)	(194)	-	(2)	-	-	-	(213)	(3)	(418)
Written off	-	-	-	-	-	(4,747)	-	-	-	-	-	(4,747)
Balance as at 31 March 2020	751,798	-	1,104,261	976,444	1,872,734	125,943	18,846	13,328,386	130,591	1,282,447	634,698	20,226,148
Net carrying amount												
31 March 2020	9,490,452	-	4,064,137	1,129,601	1,325,486	337,815	26,359	4,605,393	4,909	1,075,773	22,276	22,082,201
31 March 2019	21,875,036	23,585,479	4,562,024	1,189,095	2,121,622	381,360	37,660	5,344,400	20,010	1,380,146	102,575	60,599,407

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Freehold land and buildings RM	Furniture and fittings and warehouse fittings RM	Office and kitchen equipment RM	Plant and machineries RM	Air-conditioners RM	Signboard RM	Equipment on loan RM	Forklift and machine RM	Motor vehicles RM	Renovation RM	Total RM
Cost											
Balance as at 1 April 2018	10,242,250	1,385,555	1,359,630	3,312,250	55,494	9,335	15,447,366	218,610	2,176,486	572,750	34,779,726
Additions	-	385,791	301,144	14,120	27,262	41,780	2,256,451	-	495,836	-	3,522,384
Over-recognition	-	(950)	(48,120)	-	-	-	-	-	-	-	(49,070)
Disposals	-	-	-	(129,250)	-	-	-	-	(400,489)	-	(529,739)
Written off	-	(16,365)	(100,418)	-	-	(5,910)	(1,830,663)	-	-	-	(1,953,356)
Transfer	-	3,373,572	-	-	372,038	-	-	-	-	-	3,745,610
Balance as at 31 March 2019	10,242,250	5,127,603	1,512,236	3,197,120	454,794	45,205	15,873,154	218,610	2,271,833	572,750	39,515,555
Additions	-	8,449	100,300	1,100	-	-	1,876,330	-	290,000	6,380	2,282,559
Disposals	-	-	-	-	-	-	-	(83,110)	(425,155)	-	(508,265)
Balance as at 31 March 2020	10,242,250	5,136,052	1,612,536	3,198,220	454,794	45,205	17,749,484	135,500	2,136,678	579,130	41,289,849
Accumulated depreciation											
Balance as at 1 April 2018	342,107	59,403	372,282	279,657	28,756	7,262	9,482,438	173,502	715,064	332,614	11,793,085
Charge for the financial year	204,845	508,438	125,392	795,841	42,961	6,190	2,939,820	25,098	480,815	139,519	5,268,919
Disposals	-	-	-	-	-	-	-	-	(183,498)	-	(183,498)
Written off	-	(12,331)	(65,625)	-	-	(5,907)	(1,830,496)	-	-	-	(1,914,359)
Transfer	-	16,509	-	-	1,821	-	-	-	-	-	18,330
Balance as at 31 March 2019	546,952	572,019	432,049	1,075,498	73,538	7,545	10,591,762	198,600	1,012,381	472,133	14,982,477
Charge for the financial year	204,846	511,751	142,289	797,236	44,565	11,301	2,681,805	15,100	434,420	85,112	4,928,425
Disposals	-	-	-	-	-	-	-	(83,109)	(311,785)	-	(394,894)
Balance as at 31 March 2020	751,798	1,083,770	574,338	1,872,734	118,103	18,846	13,273,567	130,591	1,135,016	557,245	19,516,008
Net carrying amount											
31 March 2020	9,490,452	4,052,282	1,038,198	1,325,486	336,691	26,359	4,475,917	4,909	1,001,662	21,885	21,773,841
31 March 2019	9,695,298	4,555,584	1,080,187	2,121,622	381,256	37,660	5,281,392	20,010	1,259,452	100,617	24,533,078

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The net carrying amount of property, plant and equipment charged to licensed banks for credit facilities granted to the Group and the Company are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Freehold land and buildings	9,490,452	21,875,036	9,490,452	9,695,298
Industrial buildings	-	23,585,479	-	-
	9,490,452	45,460,515	9,490,452	9,695,298

Group and Company

In prior year, the motor vehicles with net carrying amount of RM1,228,917 were financed under finance leases arrangements. Information on right-of-use asset are as set out below:-

Group and Company	At 1 April 2019 RM	Additions RM	Depreciation RM	Disposal RM	At 31 March 2020 RM
Motor vehicles	1,228,917	290,000	(495,350)	(45,777)	977,790

5. SUBSIDIARIES

(i) Investment in subsidiary companies

Company	2020 RM	2019 RM
Unquoted shares:-		
At cost	312,761	812,761

5. SUBSIDIARIES (CONT'D)

(i) Investment in subsidiary companies (cont'd)

Details of the subsidiary companies are as follows:-

Company	Principal place of business	Effective interest 2020 %	Effective interest 2019 %	Principal activities
Equity Stream Sdn. Bhd.	Malaysia	-	100	Investment holding and provision of management services
Protek Chemicals & Engineering (B) Sdn. Bhd. *	Brunei	99.99	99.99	Retailer of specialised cleaning and sanitising chemicals and other related services
Cambodian Chempro Co., Ltd. *	Cambodia	100	100	Wholesale of household goods, perfumeries, cosmetics, soaps and other household goods

* Not audited by Grant Thornton Malaysia PLT

(ii) Acquisition of a subsidiary company

On 26 March 2018, the Group and the Company acquired all the shares in Cambodian Chempro Co., Ltd. for RM77,460 (USD20,000). The subsidiary company is principally engaged in the business as wholesale of household goods, perfumeries, cosmetics, soaps and other household goods. The Directors deemed 1 April 2018 as the date of acquisition.

The following summarises the assets acquired and liabilities assumed of Cambodian Chempro Co., Ltd. at the acquisition date:-

	2019 RM
Property, plant and equipment	61,975
Inventories	364,325
Trade and other receivables	400,287
Cash and bank balances	735,281
Trade and other payables	(1,501,070)
Net assets	60,798
Reserves	16,662
Total consideration	77,460
Cash and bank balances	(735,281)
Net cash inflow from acquisition	(657,821)

5. SUBSIDIARIES (CONT'D)

(iii) Disposal of a subsidiary company

On 12 October 2019, the Group and the Company disposed all the shares in Equity Stream Sdn. Bhd. for RM4,345,000. The Directors deemed 30 September 2019 as the date of disposal.

The disposal of Equity Stream Sdn. Bhd. gave rise to a loss of RM5,660,230 and RM3,845,000 in the Group's and the Company's financial statements respectively.

The effect of the disposal of Equity Stream Sdn. Bhd. on the financial position of the Group as follows:

	2020 RM
Property, plant and equipment	29,790,442
Trade receivables	72,328
Other receivables	10,519,530
Fixed deposit with licensed bank	20,000
Cash and bank balances	1,240,609
Other payables	(11,840,195)
Amount due to related companies	(19,621,359)
Net assets	10,181,355
Loss on disposal	(5,836,355)
Proceeds from disposal	4,345,000
Less: Fixed deposit with licensed bank	(20,000)
Less: Cash and bank balances	(1,240,609)
Net cash inflow from disposal	3,084,391

(iv) Amount due from/(to) subsidiary companies

	2020 RM	2019 RM
Amount due from subsidiary companies		
- Trade	1,667,771	699,664
- Non-trade	(733,725)	31,862,435
	934,046	32,562,099
Amount due to subsidiary companies		
- Non-trade	-	(601,734)

Amount due from/(to) subsidiary companies are unsecured, bears no interest and receivable on demand.

6. OTHER INVESTMENTS

	Group and Company	
	2020	2019
	RM	RM
Quoted shares, at fair value:		
At beginning of the year	1,247,520	1,636,575
Fair value adjustments	612,900	(389,055)
At end of the year	1,860,420	1,247,520
Unquoted shares, at fair value:		
At beginning and end of the year	2,000,000	2,000,000
Total	3,860,420	3,247,520
Fair value:-		
Quoted shares (Level 1)	1,860,420	1,247,520
Unquoted shares (Level 3)	2,000,000	2,000,000

The unquoted shares amounting to RM2,000,000 (2019: RM2,000,000) is held in trust by a Director of the Company.

7. INVENTORIES

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Trading goods, at net realisable value	6,957,558	8,308,161	5,377,454	6,870,536
Recognised in profit or loss:-				
Inventories recognised as cost of sales	63,772,898	65,990,344	63,676,912	66,939,229
Inventories written off	-	198,971	-	198,971

8. TRADE RECEIVABLES

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Trade receivables	30,833,358	26,984,907	29,683,969	26,271,540
Less: Allowance for expected credit losses				
At beginning of financial year	(2,848,806)	(1,598,144)	(2,848,806)	(1,598,144)
Recognised	-	(2,118,774)	-	(2,118,774)
Reversed	-	868,112	-	868,112
Written off	1,988,667	-	1,988,667	-
At end of financial year	(860,139)	(2,848,806)	(860,139)	(2,848,806)
	29,973,219	24,136,101	28,823,830	23,422,734

Trade receivables are generally on 1 to 60 (2019: 1 to 60) days terms and are non-interest bearing.

9. OTHER RECEIVABLES

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Non-trade receivables	3,506,120	3,395,032	3,411,061	3,347,467
Deposits	811,879	527,157	731,202	778,646
Prepayments	343,896	379,121	311,266	329,223
	4,661,895	4,301,310	4,453,529	4,455,336

Included in other receivables of the Group and of the Company are amount of RM573,480 (2019: RM709,893) due from a related party which certain Directors have interest, which are unsecured, interest fee and repayable on demand.

10. AMOUNTS DUE FROM/TO HOLDING AND RELATED COMPANIES

Amounts due from/to holding and related companies are non-trade in nature, unsecured, bear no interest and are receivable/repayable on demand.

11. AMOUNTS DUE FROM/TO SHAREHOLDERS

Amounts due from/to shareholders are non-trade in nature, unsecured, bear no interest and are receivable/repayable on demand.

12. FIXED DEPOSITS WITH LICENSED BANKS

The interest rates of the fixed deposits range between 1.60% to 3.75% (2019: 0.60% to 3.70%) per annum. All fixed deposits have maturity periods of less than three months.

13. SHARE CAPITAL

Group and Company	Number of shares		Amount	
	2020	2019	2020	2019
	Units	Units	RM	RM
Issued and fully paid:-				
At beginning/end of financial year	1,050,014	1,050,014	1,050,014	1,050,014

14. LEASE LIABILITIES

	2020	2019
	RM	RM
Group and Company		
Current liability		
- less than 1 year	322,692	335,239
Non-current liability		
- more than 1 year but less than 5 years	556,493	821,674
	879,185	1,156,913

The lease liabilities bear interest at rates ranging from 2.40% to 2.76% (2019: 2.40% to 2.76%) per annum.

Set out below is the movement of lease liabilities during the financial year:

	2020
	RM
At 1 April 2019	1,156,913
Addition	230,000
Accretion of interest	46,718
Payment of lease liabilities	(507,728)
Payment of interest	(46,718)
At 31 March 2020	879,185

15. BORROWINGS

	Group and Company	
	2020	2019
	RM	RM
Secured		
Current:		
Term loan	373,374	3,068,590
Non-current:		
Term loan	6,297,126	33,374,351
	6,670,500	36,442,941
Repayment terms:		
- not later than 1 year	373,374	3,068,590
- between 1 to 5 years	2,092,374	12,456,954
- later than 5 years	4,204,752	20,917,397
	6,670,500	36,442,941

The above term loan is secured by the following:-

(i) Charge on freehold and leasehold lands and buildings of the Group;
(ii) Deed of assignment of Rental Proceeds;
(iii) Basic factory debenture;
(iv) Open all monies 1st party charge;
(v) Joint and several guarantee by certain Directors; and
(vi) Guarantee by Government of Malaysia under the WCGS/IRFGS (*Syarikat Jaminan Pembiayaan Perniagaan Berhad – "SJPP"*) Guarantee Scheme.

The repayment terms of the term loan are over 180 monthly installments of RM51,170 upon full drawdown.

The term loan bears interest at rates ranging from 3.52% to 5.15% (2019: 4.65% to 5.10%) per annum.

16. TRADE PAYABLES

The normal trade credit terms granted by the trade payables range from 30 to 90 days (2019: 30 to 90 days) and trade payables are non-interest bearing.

Included in trade payables of Group and of the Company are an amount due to a related party amounting to RM14,022,390 (2019: RM12,235,470) which certain Directors have interest.

17. OTHER PAYABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Other payables	1,144,900	216,151	1,097,299	259,368
Accruals	2,757,004	2,425,955	2,505,680	1,709,487
Deposit received	-	112,000	-	-
	3,901,904	2,754,106	3,602,979	1,968,855

18. REVENUE

18.1 Disaggregated revenue information

The performance obligations for sales of trading goods are satisfied at a point in time upon delivery of goods.

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Type of revenue				
Sales of trading goods	107,295,095	107,568,952	105,284,387	105,821,781
Rental of dish washer	4,413,381	3,338,193	4,360,836	3,298,945
Rental of premises	1,740,000	672,000	-	-
	113,448,476	111,579,145	109,645,223	109,120,726

19. PROFIT BEFORE TAX

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Audit fee				
- current year	51,000	54,000	51,000	49,500
- prior year underprovision	-	10,000	-	10,000
- other auditors	5,210	5,017	-	-
Short term leases	1,824,044	-	2,861,980	-
Rental expenses in accordance with MFRS 117	-	415,208	-	2,969,480
Bad debts written off	247,425	186,555	247,425	186,555
Realised gain on foreign exchange	(350,696)	(507,791)	(350,696)	(507,791)
Directors' fee	774,439	797,916	660,000	660,000

20. TAX EXPENSES

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Current tax:				
- current year	3,404,972	3,499,653	3,322,000	2,662,935
- (over)/under provision in prior year	(21,716)	470,572	-	470,572
	3,383,256	3,970,225	3,322,000	3,133,507
Deferred tax:				
- current year	-	(294,840)	-	(294,840)
Total tax expenses	3,383,256	3,675,385	3,322,000	2,838,667

Malaysian income tax is calculated at the statutory rate of the estimated assessable profit for the financial year.

A reconciliation of income tax expenses on profit before tax with the applicable statutory income tax rate is as follows:-

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Profit before tax	14,607,387	8,694,127	17,570,109	7,247,345
Income tax at Malaysia tax rate of:				
- 17% on first RM500,000	85,000	85,000	85,000	85,000
- 24% on balance	3,385,773	1,966,590	4,096,826	1,619,363
Tax effect in respect of:				
Expenses not deductible for tax purposes	333,691	1,691,475	298,175	1,201,984
Income not subject to tax	(399,492)	(538,252)	(1,158,001)	(538,252)
(Over)/underprovision of current tax in prior year	(21,716)	470,572	-	470,572
Total tax expense	3,383,256	3,675,385	3,322,000	2,838,667

21. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Salaries, bonus and other emoluments	10,952,039	10,469,302	10,486,766	9,973,373
Social security contributions	1,219,783	59,551	76,551	59,551
Defined contribution plan	77,691	1,141,817	1,216,930	1,141,817
Other benefits	627,678	326,774	582,405	199,793
	12,877,191	11,997,444	12,362,652	11,374,534

Included in the employee benefits expenses is the Directors' remuneration as below:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Directors' remuneration				
Salaries, bonus and other emoluments	2,404,245	2,361,617	2,289,806	2,361,617
Social security contributions	2,744	2,250	2,744	2,250
Defined contribution plan	407,523	426,818	407,523	426,818
	2,814,512	2,790,685	2,700,073	2,790,685

22. RELATED PARTY DISCLOSURES

22.1 Related party transactions

Significant related party transactions during the financial year are as follow:-

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Sales to subsidiary companies	-	-	2,691,117	1,990,394
Rental charged by a related company	2,724,000	-	2,724,000	-
Rental charged by a former subsidiary company	-	-	-	2,808,000
Rental charged to a related party	-	672,000	-	16,800
Interest income recharged to a related company	-	-	1,059,836	-
Interest income recharged to a former subsidiary company	-	-	-	1,540,185
Purchase of goods from related party	55,604,651	63,404,986	55,604,651	63,404,986
Transfer of property, plant and equipment from a former subsidiary	-	-	-	3,727,281
Transfer of property, plant and equipment to a related party	-	57,506	-	-

The Directors of the Company are of the opinion that the above transactions were entered into in the normal course of business and were established under negotiated basis.

22. RELATED PARTY DISCLOSURES

22.2 Related party balances

Outstanding related party balances as at the reporting date are disclosed in Notes 5, 9, 10,11 and 16 to the Financial Statements.

22.3 Remuneration of key management personnel

The Company has no other member of key management personnel apart from the Directors.

23. FINANCIAL INSTRUMENTS

23.1 Categories of financial instruments

All of the Group's and the Company's financial liabilities are categorised as amortised cost.

The table below provides an analysis of financial assets categorised as follows:-

(i) Fair value through profit or loss ("FVTPL"); and
(ii) Amortised cost ("AC").

	Carrying amount RM	FVTPL RM	AC RM
Group			
2020			
Financial assets			
Other investments	3,860,420	3,860,420	-
Trade receivables	29,973,219	-	29,973,219
Other receivables	4,661,895	-	4,661,895
Amount due from shareholders	557,986	-	557,986
Fixed deposits with licensed banks	22,583,714	-	22,583,714
Cash and bank balances	11,609,290	-	11,609,290
	73,246,524	3,860,420	69,386,104
2019			
Financial assets			
Other investments	3,247,520	3,247,520	-
Trade receivables	24,136,101	-	24,136,101
Other receivables	4,301,310	-	4,301,310
Amount due from shareholders	25,000	-	25,000
Fixed deposits with licensed banks	13,095,950	-	13,095,950
Cash and bank balances	9,772,164	-	9,772,164
	54,578,045	3,247,520	51,330,525

23. FINANCIAL INSTRUMENTS (CONT'D)

23.1 Categories of financial instruments (cont'd)

The table below provides an analysis of financial assets categorised as follows (cont'd):-

(i) Fair value through profit or loss ("FVTPL"); and
(ii) Amortised cost ("AC").

	Carrying amount RM	FVTPL RM	AC RM
Company			
2020			
Financial assets			
Other investments	3,860,420	3,860,420	-
Trade receivables	28,823,830	-	28,823,830
Other receivables	4,453,529	-	4,453,529
Amount due from subsidiary companies	934,046	-	934,046
Amount due from related companies	25,741	-	25,741
Amount due from shareholders	557,986	-	557,986
Fixed deposits with licensed banks	22,583,714	-	22,583,714
Cash and bank balances	10,840,336	-	10,840,336
	72,079,602	3,860,420	68,219,182
2019			
Financial assets			
Other investments	3,247,520	3,247,520	-
Trade receivables	23,422,734	-	23,422,734
Other receivables	4,455,336	-	4,455,336
Amount due from subsidiary companies	32,562,099	-	32,562,099
Amount due from shareholders	25,000	-	25,000
Fixed deposits with licensed banks	13,075,950	-	13,075,950
Cash and bank balances	8,977,415	-	8,977,415
	85,766,054	3,247,520	82,518,534

23.2 Financial risk management

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. Financial risk management policies are established to ensure that adequate resources are available for the development of the Group's and the Company's businesses whilst managing their risks. The Group and the Company operate within clearly defined policies and procedures that are approved by the Directors to ensure the effectiveness of the risk management process.

23. FINANCIAL INSTRUMENTS (CONT'D)

23.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

23.2.1 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.

It is the Group's and the Company's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group and the Company do not expect to incur material credit losses of its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's and the Company's total credit exposure. The Group's and the Company's portfolio of financial instruments are broadly diversified and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group and the Company do not offer credit terms without the approval from the head of credit control.

Following are the areas where the Group is exposed to credit risk:-

(i) ***Receivables***

The Group's and the Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

An impairment analysis is performed at each reporting date to measure expected credit losses. Generally, trade receivables are written-off if the Directors deem them uncollectable. Collateral is considered integral part of trade receivables and considered in the calculation of impairment. At the reporting date, none of the Group's trade receivables are covered by collateral.

23. FINANCIAL INSTRUMENTS (CONT'D)

23.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

23.2.1 Credit risk (cont'd)

(i) Receivables (cont'd)

Set out below is the information about the credit risk exposure on the Group's and the Company's trade receivables using a provision matrix:-

Group	Expected credit loss rate %	Total gross carrying amount RM	Expected credit loss RM
2020			
Not past due	-	12,251,326	-
Past due 1 to 30 days	-	6,780,329	-
Past due 31 to 60 days	-	5,166,645	-
Past due 61 to 90 days	-	3,621,822	-
Past due more than 90 days	-	2,153,097	-
		29,973,219	-
Credit impaired:			
Past due more than 90 days	100	860,139	(860,139)
		30,833,358	(860,139)
2019			
Not past due	-	8,851,021	-
Past due 1 to 30 days	-	4,933,528	-
Past due 31 to 60 days	-	7,605,124	-
Past due 61 to 90 days	-	1,322,261	-
Past due more than 90 days	-	1,424,167	-
		24,136,101	-
Credit impaired:			
Past due 61 to 90 days	100	860,139	(860,139)
Past due more than 90 days	100	1,988,667	(1,988,667)
		26,984,907	(2,848,806)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

23.2.1 Credit risk (cont'd)

(i) Receivables (cont'd)

Set out below is the information about the credit risk exposure on the Group's and the Company's trade receivables using a provision matrix (cont'd):-

Company	Expected credit loss rate %	Total gross carrying amount RM	Expected credit loss RM
2020			
Not past due	-	11,101,937	-
Past due 1 to 30 days	-	6,780,329	-
Past due 31 to 60 days	-	5,166,645	-
Past due 61 to 90 days	-	3,621,822	-
Past due more than 90 days	-	2,153,097	-
		28,823,830	-
Credit impaired:			
Past due more than 90 days	100	860,139	(860,139)
		29,683,969	(860,139)
2019			
Not past due	-	8,137,654	-
Past due 1 to 30 days	-	4,933,528	-
Past due 31 to 60 days	-	7,605,124	-
Past due 61 to 90 days	-	1,322,261	-
Past due more than 90 days	-	1,424,167	-
		23,422,734	-
Credit impaired:			
Past due 61 to 90 days	100	860,139	(860,139)
Past due more than 90 days	100	1,988,667	(1,988,667)
		26,271,540	(2,848,806)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

23.2.1 Credit risk (cont'd)

(i) ***Receivables (cont'd)***

In respect of trade and other receivables, the Group and the Company are not exposed to any significant credit risk exposure to any single counterparty or any company of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various backgrounds. Based on historical information about customer's default rates, the management considers the credit quality of trade receivables that are not past due or impaired to be good.

The net carrying amount of trade receivables is considered a reasonable approximation of fair value. The maximum exposure to credit risk is the carrying value of each class of receivables mentioned above.

(ii) ***Intercompany balances***

The maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

The Company provides unsecured advances to subsidiary and related companies and monitors their results regularly.

As at the reporting date, there was no indication that the advances to subsidiary and related companies are not recoverable.

(iii) ***Cash and cash equivalents***

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(iv) ***Investments***

At the end of the reporting year, the Group and the Company have investments in domestic securities. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

Investments are allowed only in liquid securities and only with counterparties that have good credit ratings.

The Group's and the Company's maximum exposure to credit risk for the components of the statements of financial position at the reporting date are their carrying amounts.

23. FINANCIAL INSTRUMENTS (CONT'D)

23.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

23.2.2 Liquidity risk

Liquidity risk is the risk that the Group or the Company will not be able to meet their financial obligations as and when they fall due, due to shortage of funds.

In managing their exposure to liquidity risk that arises principally from their various payables, loans and borrowings, the Group and the Company maintain a level of cash and cash equivalents and banking facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as and when they fall due.

The Group and the Company aim at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping sources of committed and uncommitted credit facilities from various banks.

The summary of the maturity profile based on the contractual undiscounted repayment obligations are as follows:-

			←	Maturity	→
Group 2020	Carrying amount RM	Contractual cash flow RM	Less than 1 year RM	Between 1 to 5 years RM	More than 5 years RM
Secured					
Lease liabilities	879,185	949,780	356,466	446,475	146,839
Borrowings	6,670,500	8,574,065	614,040	3,070,200	4,889,825
	7,549,685	9,523,845	970,506	3,516,675	5,036,664
Unsecured					
Trade payables	14,910,726	14,910,726	14,910,726	-	-
Other payables	3,901,904	3,901,904	3,901,904	-	-
Amount due to holding company	86,857	86,857	86,857	-	-
Amount due to shareholders	86,260	86,260	86,260	-	-
	18,985,747	18,985,747	18,985,747	-	-
Total	26,535,432	28,509,592	19,956,253	3,516,675	5,036,664

23. FINANCIAL INSTRUMENTS (CONT'D)

23.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

23.2.2 Liquidity risk (cont'd)

The summary of the maturity profile based on the contractual undiscounted repayment obligations are as follows (cont'd):-

			←	Maturity	→
Group (cont'd) 2019	Carrying amount RM	Contractual cash flow RM	Less than 1 year RM	Between 1 to 5 years RM	More than 5 years RM
Secured					
Lease liabilities	1,156,913	1,249,952	377,424	663,324	209,204
Borrowings	36,442,941	48,375,480	4,780,374	18,223,317	25,371,789
	37,599,854	49,625,432	5,157,798	18,886,641	25,580,993
Unsecured					
Trade payables	14,032,176	14,032,176	14,032,176	-	-
Other payables	2,754,106	2,754,106	2,754,106	-	-
Amount due to shareholders	81,700	81,700	81,700	-	-
	16,867,982	16,867,982	16,867,982	-	-
Total	54,467,836	66,493,414	22,025,780	18,886,641	25,580,993
Company 2020					
Secured					
Lease liabilities	879,185	949,780	356,466	446,475	146,839
Borrowings	6,670,500	8,574,065	614,040	3,070,200	4,889,825
	7,549,685	9,523,845	970,506	3,516,675	5,036,664
Unsecured					
Trade payables	14,910,726	14,910,726	14,910,726	-	-
Other payables	3,602,979	3,602,979	3,602,979	-	-
Amount due to holding company	86,957	86,957	86,957	-	-
Amount due to shareholders	86,260	86,260	86,260	-	-
	18,686,922	18,686,922	18,686,922	-	-
Total	26,236,607	28,210,767	19,657,428	3,516,675	5,036,664

23. FINANCIAL INSTRUMENTS (CONT'D)

23.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

23.2.2 Liquidity risk (cont'd)

The summary of the maturity profile based on the contractual undiscounted repayment obligations are as follows (cont'd):-

			← Maturity		→
Company (cont'd) 2019	Carrying amount RM	Contractual cash flow RM	Less than 1 year RM	Between 1 to 5 years RM	More than 5 years RM
Secured					
Lease liabilities	1,156,913	1,249,952	377,424	663,324	209,204
Borrowings	36,442,941	48,375,480	4,780,374	18,223,317	25,371,789
	37,599,854	49,625,432	5,157,798	18,886,641	25,580,993
Unsecured					
Trade payables	14,032,176	14,032,176	14,032,176	-	-
Other payables	1,968,855	1,968,855	1,968,855	-	-
Amount due to subsidiary companies	601,734	601,734	601,734	-	-
Amount due to shareholders	81,700	81,700	81,700	-	-
	16,684,465	16,684,465	16,684,465	-	-
Total	54,284,319	66,309,897	21,842,263	18,886,641	25,580,993

23.2.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

To mitigate the Group's and the Company's exposure to foreign currency risk, the Group is exposed to foreign currency risk on sales, purchases, investments, and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily U.S. Dollar ("USD"), Singapore Dollar ("SGD") and Brunei Dollar ("BND").

23. **FINANCIAL INSTRUMENTS (CONT'D)**

23.2 **Financial risk management (cont'd)**

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

23.2.3 Foreign currency risk (cont'd)

The Group's and the Company's exposure to foreign currency risk, based on carrying amounts as at the reporting date was:

	Denominated in		
	USD RM	**SGD RM**	**BND RM**
Group			
2020			
Cash and bank balances	5,767,206	13,053,564	526,607
Trade receivables	7,088,843	-	870,905
Trade payables	(418,065)	(90,356)	(271,152)
	12,437,984	12,963,208	1,126,360
2019			
Cash and bank balances	4,399,642	12,957,852	155,736
Trade receivables	6,134,149	-	450,473
Trade payables	(1,202,122)	(1,698)	(561,515)
	9,331,669	12,956,154	44,694
Company			
2020			
Cash and bank balances	5,524,859	13,053,564	-
Trade receivables	6,810,359	-	-
Trade payables	-	(90,356)	-
	12,335,218	12,963,208	-
2019			
Cash and bank balances	3,995,231	12,957,852	-
Trade receivables	6,134,149	-	42,663
Trade payables	(221,768)	(1,698)	(561,515)
	9,907,612	12,956,154	(518,852)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

23.2.3 Foreign currency risk (cont'd)

The following table demonstrates the sensitivity of the Group's and of the Company's profit for the financial year to a reasonably possible change in the USD, SGD and BND exchange rates against the functional currency of the Group, with all other variables held constant.

	Group Profit for the financial year		Company Profit for the financial year	
	2020 RM	2019 RM	2020 RM	2019 RM
USD/RM				
Strengthened 5%	621,899	466,583	616,761	495,381
Weakened 5%	(621,899)	(466,583)	(616,761)	(495,381)
SGD/RM				
Strengthened 5%	648,160	647,808	648,160	647,808
Weakened 5%	(648,160)	(647,808)	(648,160)	(647,808)
BND/RM				
Strengthened 5%	56,318	2,235	-	25,943
Weakened 5%	(56,318)	(2,235)	-	(25,943)

Exposures to foreign exchange rates vary during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's and the Company's exposures to foreign currency risk.

23.2.4 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's fixed rate instruments 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 instruments are exposed to a risk of change in cash flows due to changes in interest rates.

The Group's and the Company's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group and the Company target a mix of fixed and floating debts based on assessment of its existing exposure and desired interest rate profile.

23. FINANCIAL INSTRUMENTS (CONT'D)

23.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

23.2.4 Interest rate risk (cont'd)

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at reporting date are as follows:-

	Group and Company	
	2020	2019
	RM	RM
Fixed rate instruments		
Fixed deposits with licensed banks	22,583,714	13,075,950
Lease liabilities	879,185	1,156,913
Floating rate instrument		
Borrowings	6,670,500	36,442,941

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates as at reporting date would not affect profit or loss.

A change in 0.5% in interest rates at the end of the reporting year would have increased/(decreased) profit for the financial year by the amount shown below. This analysis assumes that all other variables, remain constant.

	Group and Company Increase/(decrease) Profit for the year	
	RM	RM
	-0.5%	+0.5%
Floating rate instrument		
2020	33,353	(33,353)
2019	182,215	(182,215)

23.3 Fair values of financial instruments

The carrying amounts of financial assets and financial liabilities of the Group and of the Company at the reporting date other than their other investments approximate their fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date or immaterial discounting impact.

The Group and the Company has established policies and procedures in respect of the fair value measurement.

23. FINANCIAL INSTRUMENTS (CONT'D)

23.3 Fair values of financial instruments (cont'd)

Financial asset that are measured at fair value on a recurring basis

Certain financial assets of the Group and of the Company are measured at fair value at the reporting date. Details of fair value measurement of those financial assets are as follows:-

Group and Company

	Fair value RM	Fair value hierarchy	Valuation technique	Relationship of significant unobservable inputs to fair value
2020				
Quoted shares in Malaysia	1,860,420	Level 1	Quoted bid price in active market	-
Unquoted shares	2,000,000	Level 3	Adjusted net assets	5% increase/(decrease) in net assets would increase/(decrease) fair value by RM100,000
2019				
Quoted shares in Malaysia	1,247,520	Level 1	Quoted bid price in active market	-
Unquoted shares	2,000,000	Level 3	Adjusted net assets	5% increase/(decrease) in net assets would increase/(decrease) fair value by RM100,000

There has been no transfer between fair value levels/groups during the financial year (2019: no transfer).

24. CAPITAL MANAGEMENT

The Group's and the Company's objectives when managing capital is to maintain a strong capital base and safeguard the Group's and the Company's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

24. CAPITAL MANAGEMENT (CONT'D)

The Group and the Company set the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group and the Company manage the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

There were no changes in the Group's and in the Company's approaches to capital management during the financial year.

25. COMPARATIVE INFORMATION

The comparative information was audited by another firm of chartered accountants other than Grant Thornton Malaysia PLT. Certain comparative information have been reclassified in order to conform with current year's presentation.

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Bandar Bukit Raja,
41050 Klang,
Selangor Darul Ehsan
TEL : 603-3362 0333 FAX:603-3359 8722

Registered Office:
UOA Business Park,
Tower 3, 5th Floor, K03-05-13A,
No. 1, Jalan Pengaturcara U1/51A,
Section U1, 40150 Shah Alam,
Selangor Darul Ehsan.

Date: 24 May 2021

To: The Shareholders of Hextar Global Berhad

Dear Sir/Madam,

On behalf of the Board of Directors ("**Board**") of Alpha Aim (M) Sdn Bhd ("**AASB**" or "**Company**"), I wish to report that, after making due enquiries in relation to the Company during the period between 31 October 2019, being the date on which the latest audited financial statements have been made up, and the date hereof, being a date not earlier than fourteen (14) days before the date of issue of this Circular:-

(a) the business of the Company has, in the opinion of the Board, been satisfactorily maintained;

(b) in the opinion of the Board, no circumstances have arisen since the last audited financial statements of the Company which have adversely affected the trading or the value of the assets of the Company;

(c) the current assets of the Company appear in the books at values which are believed to be realizable in the ordinary course of business;

(d) there are no material contingent liabilities which have arisen by reason of any guarantees or indemnities given by the Company;

(e) since the last audited financial statements of the Company, there has been no default or any known event that could give rise to a default situation, in respect of payment of either interest and/or principal sums in relation to any borrowings; and

(f) there have been no material changes in the published reserves or any unusual factors affecting the profits of the Company since the last audited financial statements of the Company.

Yours faithfully,
For and on behalf of the Board
Alpha Aim (M) Sdn Bhd

Tan Seio Beng
Managing Director

Chempro Technology

Registered Office:
UOA Business Park,
Tower 3, 5th Floor, K03-05-13A,
No. 1, Jalan Pengaturcara U1/51A,
Section U1, 40150 Shah Alam,
Selangor Darul Ehsan.

Date: 24 May 2021

To: The Shareholders of Hextar Global Berhad

Dear Sir/Madam,

On behalf of the Board of Directors ("**Board**") of Chempro Technology (M) Sdn Bhd ("**CTSB**" or "**Company**"), I wish to report that, after making due enquiries in relation to the Company and its subsidiary companies ("**Group**") during the period between 31 March 2020, being the date on which the latest audited consolidated financial statements have been made up, and the date hereof, being a date not earlier than fourteen (14) days before the date of issue of this Circular:-

(a) the business of the Group has, in the opinion of the Board, been satisfactorily maintained;

(b) in the opinion of the Board, no circumstances have arisen since the last audited consolidated financial statements of the Group which have adversely affected the trading or the value of the assets of the Group;

(c) the current assets of the Group appear in the books at values which are believed to be realizable in the ordinary course of business;

(d) there are no material contingent liabilities which have arisen by reason of any guarantees or indemnities given by any company within the Group;

(e) since the last audited consolidated financial statements of the Group, there has been no default or any known event that could give rise to a default situation, in respect of payment of either interest and/or principal sums in relation to any borrowings; and

(f) there have been no material changes in the published reserves or any unusual factors affecting the profits of the Group since the last audited consolidated financial statements of the Group.

Yours faithfully,
For and on behalf of the Board
Chempro Technology (M) Sdn Bhd

Tan Seio Beng
Managing Director

CHEMPRO TECHNOLOGY (M) SDN BHD

ISO 9001 UKAS 001 Cert. No. 10188579 | Intertek UKAS 014 Cert. No. [illegible] | Intertek Cert. No. [illegible]

(Reg. No: 198601007949)
2, Jalan Astana 3/KU2, Bandar Bukit Raja, 41050 Klang, Selangor Darul Ehsan.
Tel: 03-3362 0333 **Fax:** 03-3359 8622 **Email:** chempro@chemprotek.com

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board who collectively and individually accept full responsibility for the completeness and accuracy of the information contained in this Circular and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts contained in this Circular, the omission of which would make any statement in this Circular false or misleading.

2. CONSENT AND DECLARATION

2.1 M&A Securities

M&A Securities being the Principal Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereon in the form and context in which they appear in this Circular.

M&A Securities do hereby confirm that, it is not aware of any circumstances or relationships which would give rise to a conflict of interest or potential conflict of interest situation in its capacity to act as the Principal Adviser of the Company for the Proposals.

2.2 Eco Asia

Eco Asia, being the Independent Valuer for the Proposed Acquisitions, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the valuation report as set out in Appendix I of this Circular and all references thereto in the form and context in which they appear in this Circular.

Eco Asia do hereby confirm that, it is not aware of any circumstances or relationships which would give rise to a conflict of interest or potential conflict of interest situation in its capacity to act as the Independent Valuer of the Comp any for the Proposed Acquisitions.

2.3 Protégé Associates

Protégé Associates being the independent market researcher for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereon in the form and context in which they appear in this Circular.

Protégé Associates do hereby confirm that, it is not aware of any circumstances or relationships which would give rise to a conflict of interest or potential conflict of interest situation in its capacity to act as the independent market researcher of the Company for the Proposals.

3. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of Hextar Shares as traded on Bursa Securities for the past 12 months are as follows:-

	High	Low
	RM	RM
2020		
May	0.750	0.510
June	0.735	0.540
July	0.700	0.560
August	0.830	0.605
September	0.720	0.600

	High	Low
	RM	RM
October	0.805	0.665
November	0.905	0.685
December	1.000	0.805
2021		
January	0.940	0.815
February	1.300	0.870
March	1.420	1.110
April	1.800	1.250

(Source: M&A Securities)

The last transacted price of Hextar Shares on 19 February 2021, being the last day on which Hextar Shares were traded, prior to the date of the announcement of the Proposed Bonus Issue, was RM1.220 per Hextar Share.

The last transacted price of Hextar Shares on 5 March 2021, being the last day on which Hextar Shares were traded, prior to the date of the announcement of the Proposed Acquisitions and Proposed Diversification, was RM1.370 per Hextar Share.

The last transacted price of Hextar Shares as at the LPD was RM1.650 per Hextar Share.

4. MATERIAL CONTRACTS

Save as disclosed below, as at the LPD, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Hextar Group during the past 2 years immediately preceding the date of this Circular:

(i) On 21 October 2019, Halex Link Sdn Bhd, a wholly owned subsidiary of the Company entered into a sale and purchase agreement with Plato Chemical (M) Sdn Bhd for the disposal of a piece of freehold industrial land measuring approximately 4.50318 hectares together with a single storey detached factory and an annexed double storey office building erected thereon for a total consideration of RM30.00 million;

(ii) On 24 August 2020, Hextar entered into shares sale agreement with Lim Swee Sang and Lian Dazhi for the acquisition of total of 1,155,000 of ordinary shares representing 55% equity interest in Biogas Engineering (Bee) Sdn Bhd for a total cash consideration of RM7.75 million; and

(iii) The SSA.

5. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, our Group is not engaged in any material litigation, either as the plaintiff or defendant, claims or arbitration which have a material effect on the financial position or business of our Group and our Board is not aware of any proceedings, pending or threatened against our Group, or of any other facts which is likely to give rise to any proceedings which may materially and adversely affect the financial position or business of our Group.

6. MATERIAL COMMITMENT

As at the LPD, the Board is not aware of any material commitment, incurred or known to be incurred, which upon becoming enforceable may have a material impact on the results or financial position of the Group.

7. CONTINGENT LIABILITIES

As at the LPD, the Board is not aware of any contingent liabilities, incurred or known to be incurred by the Group which, upon becoming due or enforceable may have a material impact on the results or financial position of the Group.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) from the date of this Circular up to the date of the EGM:

(i) Constitution of Hextar;

(ii) The material contracts referred to in Appendix III, Appendix IV and this Appendix;

(iii) Audited financial statements of AASB for the FYE 31 October 2019;

(iv) Audited financial statements of CTSB for the FYE 31 March 2020;

(v) Audited consolidated financial statements of Hextar for the FYE 2019 and 2020;

(vi) Consent letters and declarations referred to in Section 2 above;

(vii) Relevant cause papers in respect of the material litigation as referred to in Appendix IV;

(viii) Valuation report on the Proposed Acquisitions by Eco Asia; and

(ix) Independent market research report prepared by Protégé Associates

HEXTAR GLOBAL BERHAD
[Registration No.: 199001014551 (206220-U)]
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("**EGM**") of Hextar Global Berhad ("**Hextar**" or the "**Company**") to be held entirely through live streaming from Broadcast Venue at No. 64, Jalan Bayu Laut 4/KS09, Kota Bayuemas, 41200 Klang, Selangor, Malaysia ("**Broadcast Venue**") on Monday, 14 June 2021 at 10.00 a.m. or any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions:

ORDINARY RESOLUTION 1

PROPOSED BONUS ISSUE OF UP TO 492,407,738 NEW ORDINARY SHARES IN HEXTAR ("HEXTAR SHARE(S)" OR "SHARE(S)") ("BONUS SHARE(S)") ON THE BASIS OF 3 BONUS SHARES FOR EVERY 5 EXISTING HEXTAR SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER BY THE BOARD ("ENTITLEMENT DATE") ("PROPOSED BONUS ISSUE")

"**THAT** subject to the approvals of all relevant authorities and/ or parties (where applicable), authority be and is hereby given to the Board of Directors of Hextar ("**Board**") to issue and allot up to 492,407,738 Bonus Shares in the share capital of the Company credited to the entitled shareholders whose names appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date on the basis of 3 Bonus Shares for every 5 existing Hextar Shares held;

THAT the Board be and is hereby authorised to deal with any fractional entitlements from the Proposed Bonus Issue, if any, in such a manner at its absolute discretion as the Board may deem fit and expedient and in the best interest of the Company;

THAT the Bonus Shares will, upon allotment and issuance, rank equally in all respects with the existing Hextar Shares, save and except that the Bonus Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid before the Entitlement Date;

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all acts, deeds and things as may be required to give effect to and to complete the Proposed Bonus Issue with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts, deeds and things for and on behalf of the Company in any manner as they may deem fit or necessary or expedient to implement, finalise and give full effect to the Proposed Bonus Issue.

ORDINARY RESOLUTION 2
PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN ALPHA AIM (M) SDN BHD ("AASB") AND CHEMPRO TECHNOLOGY (M) SDN BHD ("CTSB") FOR A TOTAL PURCHASE PRICE OF RM138,000,000 ("PURCHASE PRICE") TO BE FULLY SATISFIED BY CASH ("PROPOSED ACQUISITIONS")

"**THAT,** subject to the passing of Ordinary Resolution 3 and the fulfilment of conditions precedent and the approvals of relevant authorities being obtained, where required, approval is hereby given for the Company to acquire the following:

(a) 100% equity interest in AASB, comprising 500,000 ordinary shares in AASB, from Tan Seio Beng and Chan Kwei Ling ("**AASB Vendors**"); and

(b) 100% equity interest in CTSB, comprising 1,050,014 ordinary shares in CTSB, from Tan Seio Beng, Cheok Viping and Wetacho (M) Sdn Bhd ("**CTSB Vendors**");

for the Purchase Price to be fully satisfied by cash, subject to the conditions and upon the terms set out in the conditional share sale agreement dated 8 March 2021 entered into between the Company and the AASB Vendors and CTSB Vendors in respect of the Proposed Acquisitions;

AND THAT approval be and is hereby given to the Board of Directors of the Company to sign, execute and deliver on behalf of the Company all necessary documents and to do all acts and things as may be required for or in connection with and to give full effect to and complete the Proposed Acquisitions, with full power and discretion to assent to or make any modifications, variations and/or amendments in any manner as may be imposed, required or permitted by the relevant authorities or deemed necessary by the Board, and to take all steps and actions as it may deem necessary or expedient in the best interests of the Company to finalise, implement and give full effect to the Proposed Acquisitions."

ORDINARY RESOLUTION 3

PROPOSED DIVERSIFICATION OF THE BUSINESS ACTIVITIES OF HEXTAR AND ITS SUBSIDIARIES ("HEXTAR GROUP") TO INCLUDE THE BUSINESS OF MANUFACTURING AND DISTRIBUTION OF SPECIALTY CLEANING CHEMICALS PRODUCTS ("PROPOSED DIVERSIFICATION")

"**THAT** subject to the passing of Ordinary Resolution 2 and the approvals of relevant authorities and/or parties being obtained, where required, approval is hereby given to the Hextar Group to diversify its business activities to include the business of manufacturing and distribution of specialty cleaning chemicals products;

AND THAT approval be and is hereby given to the Board of Directors of the Company to sign, execute and deliver on behalf of the Company all necessary documents and to do all acts and things as may be required for or in connection with and to give full effect to and complete the Proposed Diversification, with full power and discretion to assent to or make any modifications, variations and/or amendments in any manner as may be imposed, required or permitted by the relevant authorities or deemed necessary by the Board, and to take all steps and actions as it may deem necessary or expedient in the best interests of the Company to finalise, implement and give full effect to the Proposed Diversification."

BY ORDER OF THE BOARD

LIM HOOI MOOI (SSM PC No. 201908000134) (MAICSA No. 0799764)
ONG WAI LENG (SSM PC No. 202008003219) (MAICSA No. 7065544)
PHAN NEE CHIN (SSM PC No. 202008004339) (MIA No. 28178)
Company Secretaries

Kuala Lumpur
28 May 2021

Notes:

(i) The Broadcast Venue of the EGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 and Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia which requires the Chairman of the meeting to be present at the main venue of the meeting.

(ii) Members/proxies/corporate representatives **WILL NOT BE ALLOWED** to attend the EGM in person at the Broadcast Venue on the date of the meeting.

(iii) Members are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "**participate**") remotely at the EGM via the Remote Participation and Voting facilities ("**RPV**") provided by Tricor Investor & Issuing House Services Sdn Bhd ("**Share Registrar**", or "**Tricor**" or "**TIIH**") via its **TIIH Online website at https://tiih.online**.

Please follow the "Procedures for RPV" in the Administrative Guide for the EGM and read the notes therein in order to participate remotely via RPV.

(iv) A member of a Company shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at meeting of members of the Company. A member may appoint more than one proxy in relation to a meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company.

(v) Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("**SICDA**"), it may appoint 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.

(vi) For a member of the Company who is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

(vii) Where a member or the authorized nominee appoints more than two (2) proxies, or where an exempt authorized nominee appoints more than one (1) proxy in respect of each omnibus account to attend and vote at the same meeting, the appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.

(viii) The instrument appointing a proxy shall be in writing signed by the appointor or by his attorney who is authorised in writing. In the case of a corporation, the instrument appointing a proxy or proxies must be made either under its common seal or signed by an officer or an attorney duly authorised.

(ix) A member who has appointed a proxy or attorney or corporate representative to participate and vote at this EGM must request his/her proxy or attorney or corporate representative to register himself/herself for RPV at **TIIH Online** website at https://tiih.online. Please follow the Procedures for RPV in the Administrative Details for the EGM.

(x) 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 the EGM or adjourned meeting at which the person named in the appointment the proxies:-

(a) In hard copy form

In the case of an appointment made in hard copy form, the Form of Proxy must be deposited at the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

(b) By Electronic Form

The proxy form can be electronically lodged via **TIIH Online** website at https://tiih.online. Please refer to the Administrative Details on the procedure for electronic lodgement of Form of Proxy via TIIH Online.

(xi) Please ensure ALL the particulars as required in the Form of Proxy are completed, signed and dated accordingly.

(xii) Last date and time for lodging the Form of Proxy is **Saturday, 12 June 2021 at 10.00 a.m.**

(xiii) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the share registrar in accordance with Note (x)(a) above **not less than forty-eight (48) hours before the time appointed for holding the EGM** or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

(xiv) For a corporate member who has appointed a representative, please deposit the **ORIGINAL OR DULY CERTIFIED** certificate of appointment with the share registrar in accordance with Note (x)(a) above. The certificate of appointment should be executed in the following manner:

(a) 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.

(b) 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:

1. at least two (2) authorised officers, of whom one shall be a director; or

2. any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

(xv) For the purpose of determining a member who shall be entitled to attend and vote at the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a **Record of Depositors as at 4 June 2021** and only a depositor whose name appears on the Record of Depositors shall be entitled to attend the meeting or appoint proxies to attend and vote in his stead.

HEXTAR GLOBAL BERHAD
[Registration No.: 199001014551 (206220-U)]
(Incorporated in Malaysia)

FORM OF PROXY

No. of shares held	CDS Account No.
	- -

I / We ____
(*FULL NAME IN BLOCK LETTERS)*

(NRIC No./ Company Registration No./ Passport No. ____)

of ____
(*FULL ADDRESS)*

being a member/members of **HEXTAR GLOBAL BERHAD**, hereby appoint

Name of Proxy	NRIC No./Passport No.	% of Shareholdings to be Represented
Address		

and/or failing him/her

Name of Proxy	NRIC No./Passport No.	% of Shareholdings to be Represented
Address		

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held entirely through live streaming from the Broadcast Venue at No. 64, Jalan Bayu Laut 4/KS09, Kota Bayuemas, 41200 Klang, Selangor, Malaysia ("**Broadcast Venue**") on Monday, 14 June 2021 at 10.00 a.m. or any adjournment thereof.

** Please strikethrough the words "the Chairman of the Meeting" if you wish to appoint some other person to be your proxy.*

Resolution		FOR	AGAINST
Ordinary Resolution 1	Proposed Bonus Issue		
Ordinary Resolution 2	Proposed Acquisitions		
Ordinary Resolution 3	Proposed Diversification		

(Please indicate with a cross "X" in the space provided whether you wish your vote to be cast for or against the Resolution. If in the absence of specific directions, your proxy will vote or abstain from voting as he/she thinks fit).

Signed this ___________ day of ___________________, 2021.

____

Signature of shareholder or Common Seal

Notes:

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1. at least two (2) authorised officers, of whom one shall be a director; or

2. any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

(xv) For the purpose of determining a member who shall be entitled to attend and vote at the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a **Record of Depositors as at 4 June 2021** and only a depositor whose name appears on the Record of Depositors shall be entitled to attend the meeting or appoint proxies to attend and vote in his stead

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Affix
Stamp

The Registrar
HEXTAR GLOBAL BERHAD
[Registration No. 199001014551 (206220-U)]
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

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