



HEXTAR TECHNOLOGIES SOLUTIONS BERHAD [200501034100 (716241-X)]
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2023

24 Aug 2023

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HEXTAR TECHNOLOGIES SOLUTIONS BERHAD [200501034100 (716241-X)]
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE FIRST QUARTER ENDED 30 JUNE 2023

RM'000	Note	As at 30.06.2023 Unaudited	As at 31.03.2023 Audited
Assets			
Property, plant and equipment		32,481	31,822
Right-of-use assets		28,607	29,231
Other investment		2,571	2,571
Non-current assets		63,659	63,624
Trade and other receivables		70,497	69,934
Contract assets		-	24
Tax recoverable		1,702	1,222
Cash and cash equivalents		18,484	21,546
Current assets		90,683	92,726
Total assets		154,342	156,350
Equity and liabilities			
Share capital		72,398	72,398
Other reserves		-	22
Retained earnings	19	50,499	51,227
Equity attributable to owners of the Company		122,897	123,647
Non-controlling interests		(833)	(695)
Total equity		122,064	122,952
Lease liabilities		16,838	17,106
Deferred tax liabilities		964	1,035
Non-current liabilities		17,802	18,141
Trade and other payables		9,380	10,186
Contract liabilities		-	138
Borrowings	22	3,975	3,847
Lease liabilities		1,121	1,086
Current liabilities		14,476	15,257
Total liabilities		32,278	33,398
Total equity and liabilities		154,342	156,350
Net assets per share attributable to owners of the Company (RM)		0.96	0.96

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 30 JUNE 2023**

(These figures have not been audited)

RM'000	Note	Current quarter 3 months ended		Cumulative quarter 3 months ended	
		30.06.2023	30.06.2022	30.06.2023	30.06.2022
Revenue		43,832	28,532	43,832	28,532
Cost of sales		(41,945)	(25,357)	(41,945)	(25,357)
Gross profit		1,887	3,175	1,887	3,175
Other income		583	405	583	405
Marketing and distribution costs		(492)	(541)	(492)	(541)
Administration and other expenses		(2,296)	(2,496)	(2,296)	(2,496)
Finance costs		(276)	(224)	(276)	(224)
(Loss)/Profit before share of results		(594)	319	(594)	319
Share of results of associates		-	322	-	322
(Loss)/Profit before tax		(594)	641	(594)	641
Tax expense	18	(294)	(442)	(294)	(442)
(Loss)/Profit for the period		(888)	199	(888)	199
Other comprehensive expenses		-	(180)	-	(180)
Total comprehensive (loss)/income		(888)	19	(888)	19
(Loss)/Profit attributable to:					
Owners of the Company		(750)	290	(750)	290
Non-controlling interests		(138)	(91)	(138)	(91)
(Loss)/Profit for the period		(888)	199	(888)	199
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(750)	110	(750)	110
Non-controlling interests		(138)	(91)	(138)	(91)
Total comprehensive (loss)/income		(888)	19	(888)	19
(Loss)/Earnings per share attributable to owners of the Company:					
Basic (sen)	25	(0.6)	0.2	(0.6)	0.2
Diluted (sen)	25	(0.6)	0.2	(0.6)	0.2

The above condensed consolidated income statement should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 30 JUNE 2023
(These figures have not been audited)

RM'000	Attributable to owners of the Company						Non-controlling interests	Total equity
	Non-Distributable			Distributable				
	Share capital	Fair value reserve	Share option reserve	Treasury shares	Retained earnings	Total		
At 1 April 2023	72,398	-	22	-	51,227	123,647	(695)	122,952
Loss after tax/Total comprehensive expenses	-	-	-	-	(750)	(750)	(138)	(888)
Forfeit of Share Issuance Scheme option	-	-	(22)	-	22	-	-	-
At 30 June 2023	72,398	-	-	-	50,499	122,897	(833)	122,064
At 1 April 2022	72,398	(228)	22	-	99,692	171,884	(331)	171,553
Profit after tax	-	-	-	-	290	290	(91)	199
Fair value changes of equity investment	-	(180)	-	-	-	(180)	-	(180)
Total comprehensive income	-	(180)	-	-	290	110	(91)	19
At 30 June 2022	72,398	(408)	22	-	99,982	171,994	(422)	171,572

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

HEXTAR TECHNOLOGIES SOLUTIONS BERHAD [200501034100 (716241-X)]
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FIRST QUARTER ENDED 30 JUNE 2023

(These figures have not been audited)

RM'000	3 months ended	
	30.06.2023	30.06.2022
Operating activities		
Profit before tax	(594)	641
Adjustments for:		
Non-cash items	1,051	873
Non-operating items	-	(322)
Interest income	(249)	(68)
Interest expense	276	224
Operating profit before working capital changes	484	1,348
Changes in working capital:		
Receivables	(554)	(773)
Payables	(944)	649
Contract assets	24	-
Cash (used in)/from operations	(990)	1,224
Net tax paid	(844)	(487)
Net cash (used in)/from operating activities	(1,834)	737
Investing activities		
Interest received	249	68
Purchase of property, plant and equipment	(835)	(425)
Net cash used in investing activities	(586)	(357)
Financing activities		
Interest paid	(276)	(224)
Net repayment of lease liabilities	(494)	184
Net drawdown/(repayment) of borrowings	128	(683)
Net cash used in financing activities	(642)	(723)
Net changes in cash and cash equivalents	(3,062)	(343)
Cash and cash equivalents at the beginning of financial year	21,516	27,233
Cash and cash equivalents at the end of financial year	18,454	26,890
Analysis of cash and cash equivalents		
Fixed deposits	30	165
Cash and bank balances	18,454	26,890
	18,484	27,055
Fixed deposits pledged to licensed bank	(30)	(165)
	18,454	26,890

The above condensed consolidated statement of cash flow should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1 Basis of preparation and changes in accounting policies

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standard Board.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 March 2023. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2023.

The significant accounting policies adopted by the Group in this interim financial statements are consistent with those adopted in the financial statements as disclosed in the audited financial statements for the year ended 31 March 2023.

The Group has not applied in advance the following accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial quarter:

- Amendments to MFRS 16, Leases – Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101, Presentation of Financial Statements – Non-current Liabilities with Covenants
- Amendments to MFRS 112, Income Taxes – International Tax Reform-Pillar Two Model Rules
- Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures - Supplier Finance Arrangements
- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture

The Group did not early adopt the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) as they are not expected to have material impact on the financial statements of the Group upon their initial applications.

2 Seasonality or cyclicity of operations

The business operations of the Group are subject to the forces of supply and demand and thus, could display cyclical trends.

3 Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter ended 30 June 2023.

4 Significant estimates and changes in estimates

There were no changes in estimates that had any material effects during the quarter ended 30 June 2023.

5 Debt and equity securities

There were no issuances, repurchases or repayments of debt and equity securities during the quarter ended 30 June 2023.

6 Dividends paid

There were no dividends paid during the current and previous corresponding quarter.

7 Segmental information

The Group's operations comprise the following business segments:

Logistics : Total logistic services provider including lorry transportation services (tanker, bulk cargo, side curtain), project logistics and door to door delivery services
Warehousing : Provision of warehouse for renting
Trading : Trading of building materials
Others : Technology, trading of goods, insurance agency and investment holding

RM'000	Logistics	Warehousing	Trading	Others	Total	Elimination	Group
Results For 3 Months Ended							
30 June 2023							
External revenue	10,875	-	32,957	-	43,832	-	43,832
Intersegment revenue	-	-	-	252	252	(252)	-
Total revenue	10,875	-	32,957	252	44,084	(252)	43,832
Segment profit/(loss)	548	(57)	723	(60)	1,154	-	1,154
Depreciation	(481)	(254)	(135)	(189)	(1,059)	-	(1,059)
Interest income	5	-	208	36	249	-	249
Finance costs	(4)	(196)	(712)	(26)	(938)	-	(938)
Profit/(Loss) before tax	68	(507)	84	(239)	(594)	-	(594)
Tax expense	(70)	-	(124)	(100)	(294)	-	(294)
Loss after tax	(2)	(507)	(40)	(339)	(888)	-	(888)
Results For 3 Months Ended							
30 June 2022							
External revenue	8,945	1,102	18,484	1	28,532	-	28,532
Intersegment revenue	-	-	-	519	519	(519)	-
Total revenue	8,945	1,102	18,484	520	29,051	(519)	28,532
Segment profit/(loss)	904	962	523	(1,041)	1,348	322	1,670
Depreciation	(491)	(254)	(117)	(11)	(873)	-	(873)
Interest income	2	-	-	66	68	-	68
Finance costs	(2)	(199)	(23)	-	(224)	-	(224)
Profit/(Loss) before tax	413	509	383	(986)	319	322	641
Tax expense	(105)	(159)	(153)	(25)	(442)	-	(442)
Profit/(Loss) after tax	308	350	230	(1,011)	(123)	322	199

8 Related party disclosures

Significant recurrent related party transactions are as follows:

RM'000	3 months ended	
	30.06.2023	30.06.2022
Companies in which major shareholder & Director, subsidiary's Director, and former Chief Executive have interests:		
Revenue from services rendered	345	272
Building materials receivable	1,732	958
Building materials payable	-	23
Rental payable	9	-
Internet related services payable	-	111
Software, hardware and maintenance services payable	-	98

The Directors are of the opinion that the above transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

9 Valuation of property, plant and equipment

There was no valuation on property, plant and equipment during the current and previous corresponding quarter.

10 Capital commitments

The amount of capital commitment for the purchase of property, plant and equipment as at 30 June 2023 was as follows:-

	RM'000
Approved and contracted for	<u>1,598</u>

11 Contingent liabilities

The contingent liabilities were as follows:

RM'000	Group As at 30.06.2023
Corporate guarantees given to financial institutions and vendors for credit facilities granted to the Group	<u>4,316</u>

12 Changes in composition

There were no changes in the composition of the Group during the current quarter.

13 Events after the reporting period

There were no material events subsequent to the end of the current quarter.

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**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

14 Analysis of performance - Comparison with preceding year corresponding quarter

RM'000	3 months ended		Variance
	30.06.2023	30.06.2022	
Revenue	43,832	28,532	15,300
(Loss)/Profit before tax	(594)	641	(1,235)

The Group reported higher revenue in the current quarter ("Q1FY2024") versus the corresponding quarter ("Q1FY2023"), mainly due to higher revenue contribution from its trading segment. However, the Group incurred a pre-tax loss in Q1FY2024 despite a 54% increase in revenue versus Q1FY2023 due to profit margin compression in both the trading and logistic businesses, as well as loss of rental income subsequent to the expiry of a tenancy agreement.

(a) Logistics

RM'000	3 months ended		Variance
	30.06.2023	30.06.2022	
External revenue	10,875	8,945	1,930
(Loss)/Profit before tax	68	413	(345)

Lower pre-tax profit in Q1FY2024 despite higher revenue achieved as compared to Q1FY2023 was mainly due to lower profit margin earned from a major overseas project completed in the current quarter. In addition, the profit margin in the logistic business was compressed due to market competition.

(b) Warehousing

RM'000	3 months ended		Variance
	30.06.2023	30.06.2022	
External revenue	-	1,102	(1,102)
(Loss)/Profit before tax	(507)	509	(1,016)

The property remained vacant after the expiration of the tenancy agreement in the early part of the year. The management has been looking for the new tenant via various channels.

(c) Trading

RM'000	3 months ended		Variance
	30.06.2023	30.06.2022	
External revenue	32,957	18,484	14,473
Profit before tax	84	383	(299)

Despite the higher revenue posted in Q1FY2024, which resulted from the continuous demand from existing customers, the pre-tax profit decreased as compared to Q1FY2023 mainly due to higher operating expenses.

15 Comparison with immediate preceding quarter

RM'000	3 months ended		Variance
	30.06.2023	31.03.2023	
Revenue	43,832	56,234	(12,402)
(Loss)/Profit before tax	(594)	(744)	150

As compared to the immediate preceding quarter ("Q4FY2023"), the revenue in Q1FY2024 dropped by 22% or RM12.4 million, due to fewer orders from some of the customers that had replenished their building materials stocks in Q4FY2023. Nonetheless, the pre-tax loss was reduced in Q1FY2024, mainly due to the provision for impairment loss on trade receivables made in Q4FY2023.

16 Commentary on prospects

The Group is currently in the process of developing the minimum viable product and undertaking user acceptance test for its fintech application, which is targeted to launch later in FY2024. Meanwhile, the Group believes that the profit margin of its existing businesses will be reasonably well managed and therefore is cautiously optimistic that their performance will improve for the remainder of the financial year.

17 Profit forecast

Not applicable.

18 Tax expense

RM'000	3 months ended	
	30.06.2023	30.06.2022
Income tax	365	535
Deferred tax	(71)	(93)
Total tax expense	294	442

Income tax is calculated at the statutory tax rate of 24% of the estimated assessable profit for the period.

The Group's effective tax rate for the financial year to date was higher than the statutory tax rate mainly due to the losses in certain subsidiaries which are not available for set off against taxable profit in other subsidiaries within the Group.

19 Retained earnings

RM'000	As at	As at
	30.06.2023	31.03.2023
Realised	91,030	91,926
Unrealised	(954)	(985)
	90,076	90,941
Consolidation adjustments	(39,577)	(39,714)
Total retained earnings	50,499	51,227

20 Corporate proposals

With reference to the Company's announcement made dated 28 June 2023 in relation to the below multiple proposals:-

- i) GBWSB Proposals;
- ii) CLSB Proposals;
- iii) Proposed Disposals; and
- iv) Proposed Bonus Issue

Unless otherwise stated, the abbreviations and definitions used below shall have the same meaning as those previously defined in the Announcement dated 28 June 2023.

The Company had on 16 August 2023 announced that the Board had agreed to the requests of SWS and SIMSB to terminate the GBWSB Proposals and Proposed Disposals.

The termination by SIMSB was due to their inability to fulfil the conditions precedent in SPA 1 and SPA 2 to obtain a loan from the financier for acquisition of the properties pursuant to the Proposed Disposals. As a consequent thereto, SWS has also decided to terminate the GBWSB Proposals which are no longer aligned with their future direction.

As a result of the above, the Company had on 16 August 2023, sent a letter to HHSB requesting to terminate the CLSB Proposals and HHSB has also agreed to the mutual termination on the same date.

Pursuant to the Proposed Disposals, deposits amounting to RM1,183,000, paid to the stakeholder will be refunded to SIMSB. The Company will endeavour to look for potential buyers for the GBWSB Properties, CLSB Property, Pasir Gudang Property and Klang Property.

Meanwhile, as at the reporting date, the Proposed Bonus Issue is still pending the approvals from Bursa Securities and shareholders at an extraordinary general meeting to be convened.

Save as disclosed above, there were no other corporate proposals announced but not completed as at the reporting date.

21 Utilisation of proceeds

The total gross proceeds of RM22.45 million arising from the disposal of the entire equity interest in subsidiaries are proposed to be utilised as follows:

RM'000	Intended utilisation	Actual utilisation as at 30.06.2023	Deviation	Balance	Estimated timeframe
Future investment	12,000	-	-	12,000	Within 24 months
Working capital	8,052	8,215	163 *	-	Within 24 months
Estimated expenses	2,400	2,237	(163) *	-	Within 1 month
	22,452	10,452	-	12,000	

* The balance of the estimated expenses of RM0.16 million had been re-allocated for the Group's working capital purposes.

22 Borrowings

RM'000	As at 30.06.2023	As at 31.03.2023
<u>Unsecured</u>		
Bills payable	3,975	3,847
Short term borrowings	3,975	3,847

All borrowings are denominated in Ringgit Malaysia.

23 Changes in material litigation

There was no material litigation against the Group as at the reporting date.

24 Proposed dividend

No dividend has been proposed.

25 (Loss)/Earnings per share ("EPS")

	3 months ended	
	30.06.2023	30.06.2022
(Loss)/Profit attributable to Owners of the Company (RM'000)	(750)	290
Weighted average number of ordinary shares in issue ('000)	128,649	128,649
Effect of dilution ('000)	-	52
Adjusted weighted average number of ordinary shares in issue ('000)	128,649	128,701
Basic (loss per share)/EPS (sen)	(0.6)	0.2
Diluted (loss per share)/EPS (sen)	(0.6)	0.2

26 Financial instruments

The Group has not entered into any derivatives and accounted for any financial liabilities carried at fair value as at the reporting date.

27 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 March 2023 was unqualified.

28 Profit before tax

RM'000	3 months ended	
	30.06.2023	30.06.2022
Profit before tax is arrived at after crediting/(charging):		
Interest income	249	68
Other income including investment income	334	337
Interest expense	(276)	(224)
Depreciation	(1,059)	(873)
Realised (loss)/gain in foreign exchange	(1)	(2)
Unrealised gain/(loss) in foreign exchange	10	(10)

Save as disclosed above, there were no other material provision for and write off of inventories, gain or loss on disposal of quoted or unquoted investment or properties, impairment of assets, gain or loss on derivatives or exceptional items for current quarter under review.