



HEXTAR TECHNOLOGIES SOLUTIONS BERHAD
(Registration No.: 200501034100 (716241-X))



annual report 2023

18th ANNUAL GENERAL MEETING

DATE : Thursday, 24 August 2023

TIME : 10.30 a.m.

CONTENTS

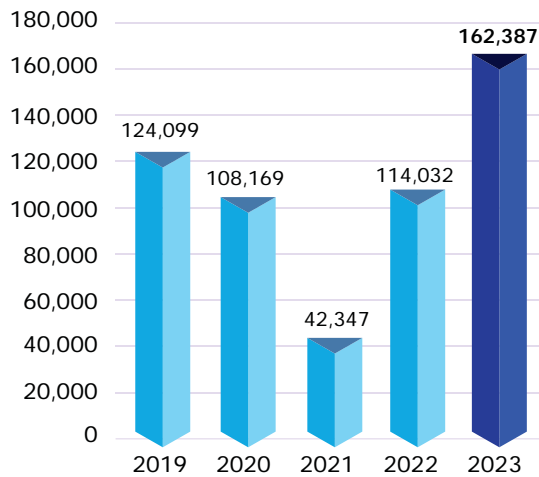
| | | | |
|----|--|-----|--|
| 02 | 5 Years Financial Highlights | 51 | Audit Committee Report |
| 03 | Corporate Information | 54 | Statement On Risk Management And Internal Control |
| 04 | Corporate Structure | 58 | Statement Of Directors' Responsibility |
| 05 | Chairman's Statement | 59 | Additional Compliance Information |
| 08 | Management Discussion & Analysis | 62 | Financial Statements |
| 15 | Profile Of Directors | 141 | List Of Properties |
| 22 | Profile Of Key Senior Management | 143 | Analysis Of Shareholdings |
| 23 | Sustainability Statement | 145 | Notice Of Annual General Meeting Proxy Form |
| 37 | Corporate Governance Overview Statement | | |



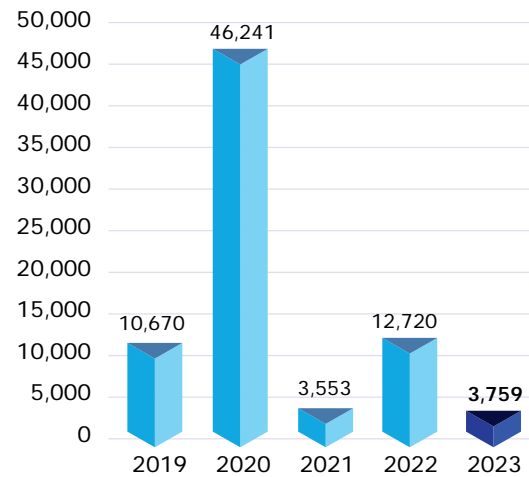
5 YEARS FINANCIAL HIGHLIGHTS

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---------|---------|---------|---------|---------|
| Revenue (RM'000) | 124,099 | 108,169 | 42,347 | 114,032 | 162,387 |
| Profit After Tax (RM'000) | 10,670 | 46,241 | 3,553 | 12,720 | 3,759 |
| Shareholders' Equity (RM'000) | 150,992 | 178,430 | 163,049 | 171,884 | 123,647 |
| Net Assets Per Ordinary Share (Sen) | 122.0 | 141.0 | 127.0 | 134.0 | 96.0 |
| Basic Earnings Per Ordinary Share (Sen) | 8.6 | 36.7 | 3.0 | 10.0 | 3.2 |
| Dividend Per Ordinary Share (Sen) | - | 16.0 | 16.0 | - | 40.0 |

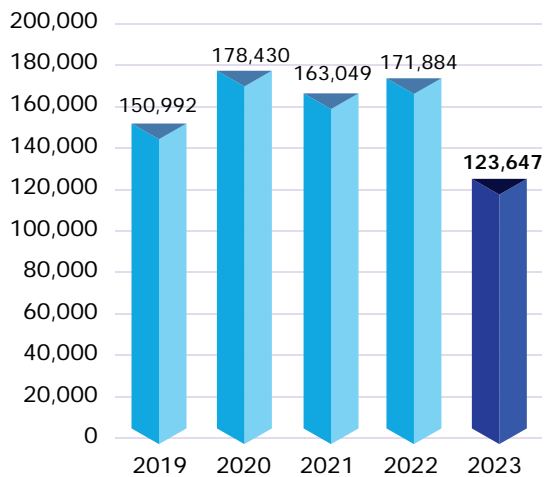
Revenue
(RM'000)



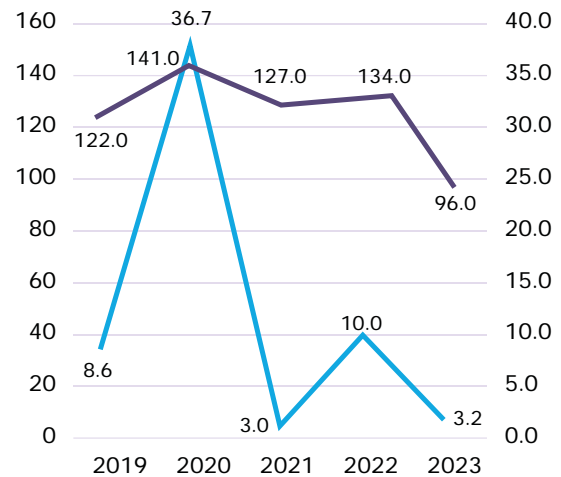
Profit After Tax
(RM'000)



Shareholders' Equity
(RM'000)



Net Assets Per Ordinary Share (Sen)
Basic Earnings Per Ordinary Share (Sen)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Muhammad Bin Ibrahim
Independent Non-Executive Chairman
(Appointed on 03/01/2023)

Dato' Ong Choo Meng
Group Chief Executive Officer and
Executive Director
(Appointed on 03/01/2023)

Choo Joon Keong
Group Deputy Chief Executive Officer and
Executive Director
(Appointed on 03/01/2023)

Ronald Khoo Boo Soon
Executive Director

Dato' Ong Chong Yi
Independent Non-Executive Director

Yeoh Chin Hoe
Independent Non-Executive Director

Sujatha Sekhar A/P Tan Sri B.C.Sekhar
Independent Non-Executive Director
(Appointed on 23/05/2023)

BOARD COMMITTEES

Audit Committee

Chairman
Yeoh Chin Hoe

Members
Dato' Ong Chong Yi
Sujatha Sekhar A/P Tan Sri B.C.Sekhar
(Appointed on 23/05/2023)

Nomination and Remuneration Committee

Chairman
Dato' Ong Chong Yi
(Redesignated on 20/09/2022)

Members
Yeoh Chin Hoe
Sujatha Sekhar A/P Tan Sri B.C.Sekhar
(Appointed on 23/05/2023)

Risk Management Committee

Chairman
Ronald Khoo Boo Soon
(Appointed on 20/09/2022)

Members
Dato' Ong Chong Yi
Sujatha Sekhar A/P Tan Sri B.C.Sekhar
(Appointed on 23/05/2023)

REGISTERED OFFICE

Level 5, Tower 8, Avenue 5,
Horizon 2, Bangsar South City,
59200 Kuala Lumpur, Malaysia.
Tel No. : +603 2280 6388
Fax No. : +603 2280 6399

HEAD OFFICE

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Kota Bayuemas,
41200 Klang,
Selangor Darul Ehsan, Malaysia.
Tel No. : +603 3003 3333
Fax No. : +603 3003 3330
Website : www.hextartech.com

COMPANY SECRETARY

Wong Mee Kiat
(MAICSA 7058813)
(SSM PC No. 202008001958)

Ng Heng Hooi
(MAICSA 7048492)
(SSM PC No. 202008002923)

AUDITORS

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201906000005
(LLP0018817-LCA) & AF 1018
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Fax No. : +603 2788 9998

SHARE REGISTRAR

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

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market, Transportation & Logistics

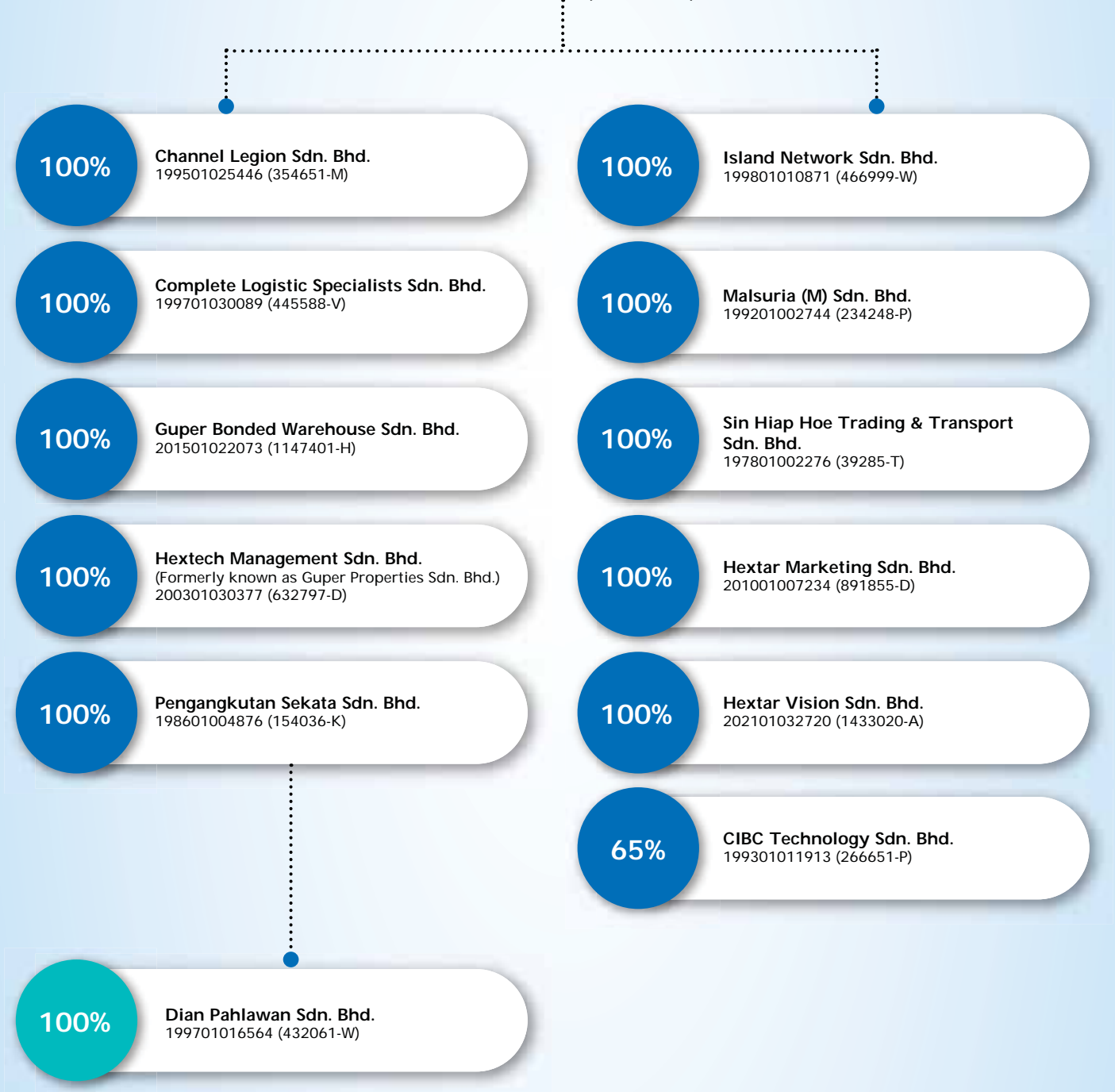
CORPORATE STRUCTURE

AS AT 20 JULY 2023



HEXTAR TECHNOLOGIES SOLUTIONS BERHAD

200501034100 (716241-X)



CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

The financial year ended 31 March 2023 ("FYE 2023") has been a commendable year for Hextar Technologies Solutions Berhad ("HexTech" or "the Company") and its subsidiaries ("HexTech Group" or "the Group"), with the achievement of historical high revenue posted just after the pandemic. As the newly appointed Chairman, I am honoured to address you on behalf of the Board of Directors ("the Board"). It is a great privilege to lead this esteemed organisation and I would like to express my heartfelt gratitude to my predecessors for having laid the strong foundation on which the Group has been built. It is with great pleasure for me to present to you the Company's Annual Report for the FYE 2023.



ECONOMIC LANDSCAPE AND BUSINESS INSIGHTS

As the world emerges from the aftermath of the Covid-19 pandemic, businesses and economies are undergoing a transformative phase of recovery. In Malaysia, we are witnessing robust economic growth with the Gross Domestic Product ("GDP") growing at an annual growth rate of 8.7% in 2022 as compared to 3.1% reported in 2021. This has surpassed the government's initial forecast of 6.5% to 7.0% made in October 2022. In line with the growth in GDP, we have seen robust demand for our building materials as well as logistics services as evidenced by the new record high revenue generated in FYE 2023.

To further expand our business in the trading of building materials segment, we have successfully launched a digital trading platform called "eBuild" on 11 January 2023. It is an application designed to simplify the sourcing and procurement process for building materials. The introduction of this application aims to enhance efficiency in the construction industry, bringing convenience and cost savings to both the suppliers and customers in the market. One of the notable advantages of "eBuild" is the "Buy Now, Pay Later" use-case where we offer credit terms to our customers for greater flexibility and financial convenience. Since its launch, we have observed an upward trend in trading volumes and we expect it to continue contributing positively to our revenue moving forward.

Logistics forms the backbone of domestic and international trade in any economy and it is a critical factor for competitiveness. The growth in the logistics industry is propelled by factors such as resumption of economic activities post pandemic, globalisation, expansion of e-commerce as well as evolving consumer behaviours. As supply chains become more complex, the demand for efficient and scalable logistics solutions increases. Our Group is well-positioned to meet these demands, offering a comprehensive range of logistics services that cater to the evolving needs of our customers.

CHAIRMAN'S STATEMENT

(CONTINUED)

FINANCIAL HIGHLIGHTS

The Group has once again demonstrated our resilience and strong market position through notable growth in revenue by RM48.4 million or 42.4% from RM114.0 million in FYE 2022 to RM162.4 million in FYE 2023. The impressive revenue growth was primarily driven by the strong performance from both our trading of building materials segment and the logistics services segment.

However, our profit before tax experienced a decline of RM8.0 million from RM13.5 million in FYE 2022 to RM5.5 million in FYE 2023. The lower PBT registered in FYE 2023 was mainly due to the non-recurrence of a one-off gain arising from the disposal of subsidiaries in FYE 2022 amounting to RM11.2 million coupled with the reduced rental income from the warehousing segment after the expiry of the tenancy for one of the warehouses in FYE 2023.

For a more detailed analysis of the Group's financial and operational performance, please refer to our Management Discussion and Analysis section of this Annual Report.

UPHOLDING CORPORATE GOVERNANCE

Upholding strong corporate governance remains a top priority for the Board as we believe that it is essential to build trust and maintain confidence of our stakeholders. We understand that corporate governance is a continuous journey that requires ongoing improvement and adaptability. Therefore, transparency, integrity and accountability form the cornerstones for our decision-making process framework.

To further strengthen our governance structure, we have implemented a Director Fit and Proper Policy effective from 24 May 2022. This policy ensures that all Directors appointed or re-elected to the Board possess the necessary qualifications, character, skills, experience and integrity to fulfill their fiduciary responsibilities effectively. It sets forth clear criteria for the selection and ongoing evaluation of the Directors, ensuring that they are fit and proper to carry out their roles in line with the regulatory requirements and best practices.

By adhering to strong governance practices, we strive to position the Group as a responsible and trusted organisation.

For further insights into our measures in upholding corporate governance, please refer to the Corporate Governance Overview Statement ("CG Statement") in this Annual Report and the Corporate Governance Report ("CG Report").

CULTIVATING SUSTAINABILITY

At HexTech, we recognise the significance of sustainability and corporate social responsibility. We are committed to minimising our environmental impact by implementing eco-friendly practices throughout our operations. From optimising fuel efficiency to practising 4Rs (Reduce, Reuse, Recycle and Recovery), we actively promote a sustainable business culture. Furthermore, we prioritise ethical business practices, engage with local communities and support social initiatives so as to foster long-term relationships with various stakeholders based on trust and shared values.

For further insights into our sustainability initiatives and strategies, please refer to our Sustainability Statement in this Annual Report.

CHAIRMAN'S STATEMENT (CONTINUED)

FUTURE PROSPECTS

Looking forward into FYE 2024, we foresee that the economic landscape will remain challenging marked by various macroeconomic factors including but not limited to inflationary pressures, interest rate hikes, labour shortages, currency fluctuations, potential global economic slowdown as well as geopolitical tensions.

Nevertheless, we remain cautiously optimistic of the prospects of the Group, backed by a stable Malaysian economy. As we forge ahead into the future, our primary focus remains on delivering exceptional customer experiences, driving innovation, and staying at the forefront of industry trends. We are committed to expand our trading of building materials business through the innovative "eBuild" app which could extend our geographical market reach.

Simultaneously, we will diligently nurture our existing logistics services business, ensuring its continuous growth and success. As part of the efforts, we will replace some of our aging fleet of prime movers in order to improve operational efficiency and to capitalise on the increasing demand for logistics services in the market.

Furthermore, the global and domestic shift towards digital transformation has translated into heightened demand for digital and 5G-related products and services, Fintech, and IT solutions. This prevailing trend aligns favourably with the Group's diversification into the technology business. We are also developing in-house, a fintech application that will complement financial service providers, aimed at assisting users in managing their financial affairs and decision making which we target to launch in FYE2024.

By continuously pivoting on emerging market dynamics and leveraging on our expertise, we strive to deliver innovative solutions that meet the evolving needs of our clients while minimising our environmental footprints. Our dedication to sustainability, coupled with our emphasis on technological advancements, enables us to navigate the challenges of today's business landscape and pave the way for long-term success in the future.

DIVIDEND

Having achieved a record high revenue, we are pleased to highlight that the Company has rewarded its shareholders by paying a single-tier interim dividend of RM0.40 per ordinary share amounting to RM51.5 million for FYE 2023 on 16 August 2022. This dividend payout reflects our commitment to deliver value and maximise investment returns for our shareholders. As we move forward, our focus remains on driving growth and exploring new opportunities in order to further enhance our shareholders' value.

APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to all our shareholders for their unwavering support, our Board members for their visionary leadership, our employees for their dedication and hard work, and our valued customers for their trust in the Group. It is through our collective efforts and shared vision of sustainable growth that drives us to forge ahead confidently. Together, we will continue to create value and deliver outstanding results.

Last but not least, I am delighted to welcome Dato' Ong Choo Meng, Mr. Choo Joon Keong and Madam Sujatha Sekhar A/P Tan Sri B.C.Sekhar as the new members of the Board. Their extensive experience and expertise will be invaluable in guiding the Group towards greater heights and success in the future.

Tan Sri Muhammad Bin Ibrahim
Independent Non-Executive Chairman
20 July 2023

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS AND OPERATIONAL OVERVIEW

We started in 2006 where we specialised in providing total logistics services, spanning across both land and marine transportation. However, in view of the changing business environment and the significant impact of the Covid-19 pandemic, we undertook a strategic review of our operations and decided to divest our non-performing businesses and non-core assets, leading to the disposal of our entire motorised marine vessels fleet in FYE 2022 and our exit from the marine transportation sector. We also disposed of certain non-core subsidiaries in the same year. We then ventured into the trading of building materials through both conventional trading and e-commerce as well as diversified into the technology business which shall involve the development and implementation of software applications.

Our venture into the trading of building materials business has yielded good results as the revenue contribution from the segment continues to grow significantly and the segment has become a major revenue contributor in FYE 2023.

A key milestone achieved this year is the introduction of our latest app namely "eBuild", an integrated supply chain solution that simplifies the sourcing and procurement process for building materials. It aims to create an equal marketplace for all suppliers to compete in an open and transparent manner so that customers will obtain the best value for their money. This marks an essential step toward our digital evolution within the trading of building materials business.

As an overview, our four (4) key business segments are as follows:

| | | |
|----------------------------|---|---|
| Logistics segment | : | Total logistics services comprising lorry transportation services (tanker, general cargo, side curtain), project logistics and door to door delivery services |
| Warehousing segment | : | Provision of warehouse for renting |
| Trading segment | : | Trading of building materials |
| Others | : | Technology business, insurance agency, investment holding and others |

FINANCIAL REVIEW

Review of Financial Performance

| | FYE 2022 | FYE 2023 | YoY Changes |
|--------------------------------------|----------|----------|-------------|
| FINANCIAL RESULTS | | | |
| Financial Indicators (RM'000) | | | |
| Revenue | 114,032 | 162,387 | 42.4% |
| Gross Profit ("GP") | 8,771 | 11,556 | 31.7% |
| Profit Before tax ("PBT") | 13,549 | 5,487 | (59.5%) |
| Profit After Tax ("PAT") | 12,720 | 3,759 | (70.4%) |
| Financial Ratios (%) | | | |
| GP margin | 7.7 | 7.1 | (0.6) |
| PBT margin | 11.9 | 3.4 | (8.5) |
| PAT margin | 11.2 | 2.3 | (8.9) |

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

FINANCIAL REVIEW (CONT'D)

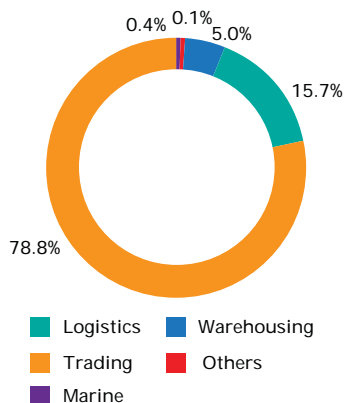
Revenue

The Group achieved a commendable growth in revenue of RM48.4 million or 42.4% from RM114.0 million in FYE 2022 to RM162.4 million in FYE 2023. The impressive revenue growth was mainly attributable to the strong performance from both of our logistics and trading of building materials businesses.

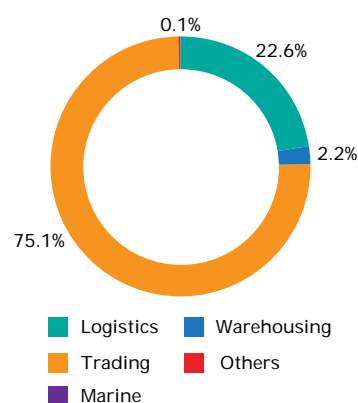
An analysis of our revenue by business activities is as follows:

| | FYE 2022 | FYE 2023 | YoY Changes |
|----------------------|----------------|----------------|--------------|
| | RM'000 | RM'000 | % |
| Trading | 89,868 | 122,027 | 35.8% |
| Logistics | 17,899 | 36,649 | 104.8% |
| Warehousing | 5,745 | 3,674 | (36.0%) |
| Marine | 410 | - | (100.0%) |
| Others | 110 | 37 | (66.4%) |
| Total Revenue | 114,032 | 162,387 | 42.4% |

2022 Business Segments



2023 Business Segments



Our trading segment remains as the primary driver of our revenue, contributed 75.1% of the Group's total revenue in FYE 2023. Revenue from the trading segment recorded a noteworthy increase of RM32.1 million or 35.8% from RM89.9 million in FYE 2022 to RM122.0 million in FYE 2023. This was mainly attributed to the strong demand for building materials post pandemic from our existing major customers.

Our logistics segment also experienced a substantial boost with revenue having increased by RM18.7 million or 104.8% from RM17.9 million in FYE 2022 to RM36.6 million in FYE 2023. The revenue growth was mainly attributable to higher business volume resulting from the strong recovery in the logistics industry post pandemic due to the re-opening of the local economy.

On the other hand, our revenue from the warehousing segment decreased by RM2.0 million or 36.0% from RM5.7 million in FYE 2022 to RM3.7 million in FYE 2023. The decrease was mainly due to the reduction in rental income as a result of the divestment of two (2) warehouse owning subsidiaries in FYE 2022 and the expiration of a tenancy agreement for our warehouse in Port Klang Free Zone in FYE 2023.

MANAGEMENT DISCUSSION & ANALYSIS

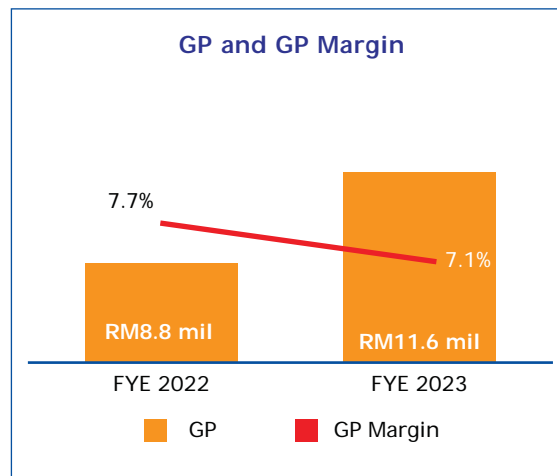
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FINANCIAL REVIEW (CONT'D)

GP and GP margin

In line with the growth in the Group's revenue, our Group's GP recorded an increase of RM2.8 million or 31.7% from RM8.8 million in FYE 2022 to RM11.6 million in FYE 2023.

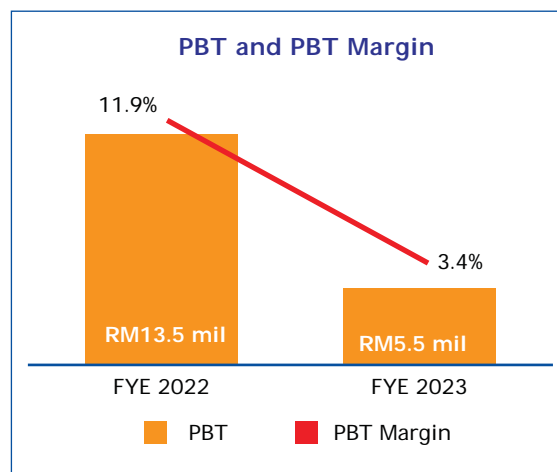
However, our overall GP margin decreased marginally by 0.6% from 7.7% in FYE 2022 to 7.1% in FYE 2023. This was mainly attributable to the lower GP margin derived from our trading of building materials business.



PBT and PBT margin

Our PBT experienced a significant decline by RM8.0 million or 59.5% from RM13.5 million in FYE 2022 to RM5.5 million in FYE 2023. Correspondingly, our PBT margin also decreased from 11.9% in FYE 2022 to 3.4% in FYE 2023.

Lower PBT and PBT margin generated in FYE 2023 was mainly due to the non-recurrence of one-off gain on disposal of subsidiaries in FYE 2022 amounted to RM11.2 million, coupled with reduced rental income from the warehousing segment due to the expiry of a tenancy agreement for one of our warehouses in FYE 2023. Additionally, a provision for impairment loss on trade receivables of RM1.2 million has further impacted our financial performance in FYE 2023.



MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

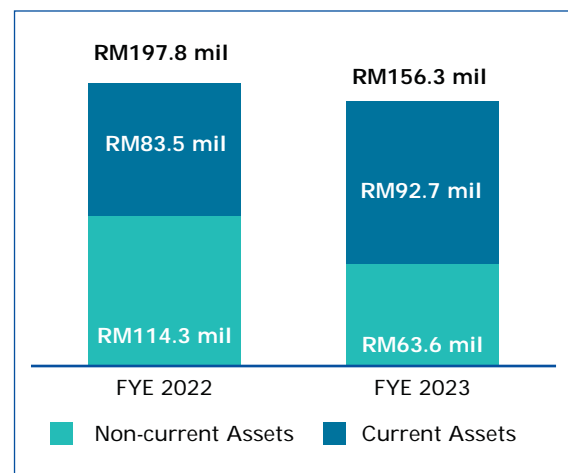
FINANCIAL REVIEW (CONT'D)

Review of Financial Position and Liquidity

| | FYE 2022 | FYE 2023 | YoY Changes |
|--|----------|----------|-------------|
| FINANCIAL POSITIONS | | | |
| Financial Indicators (RM'000) | | | |
| Total assets | 197,841 | 156,350 | (21.0%) |
| Total liabilities | 26,288 | 33,398 | 27.0% |
| Equity attributable to equity holders of the Company | 171,884 | 123,647 | (28.1%) |
| Financial Ratios (times) | | | |
| Current ratio | 8.9 | 6.1 | (2.8) |
| Gearing ratio | 0.1 | 0.2 | 0.1 |

Assets

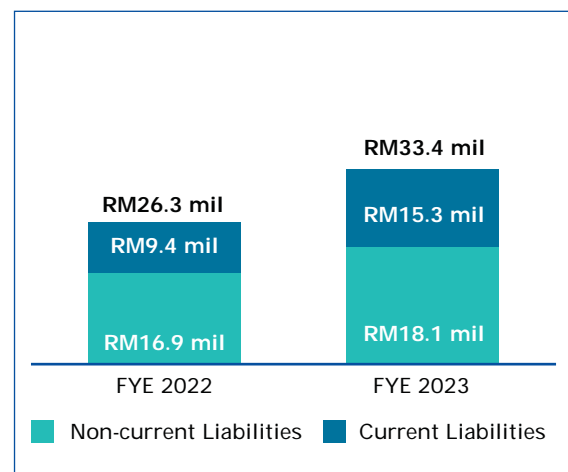
Total assets of the Group decreased by RM41.5 million or 21.0% from RM197.8 million as at 31 March 2022 to RM156.4 million as at 31 March 2023. This was mainly attributable to the proceeds derived from the disposal of investment in associates and disposal of other investments, paid out as dividends amounting to RM51.5 million to reward our shareholders during the year.



Liabilities

Total liabilities of the Group increased by RM7.1 million or 27.0% from RM26.3 million as at 31 March 2022 to RM33.4 million as at 31 March 2023, attributable to the increase in current liabilities by RM5.9 million and increase in non-current liabilities by RM1.2 million.

The increase in our current liabilities was mainly due to the advance received from a trading customer as well as increase in short term borrowings, namely the bills payable. Meanwhile, the increase in our non-current liabilities was mainly due to the increase in lease liabilities arising from the long-term lease payment for a newly rented office.



MANAGEMENT DISCUSSION & ANALYSIS

(CONTINUED)

FINANCIAL REVIEW (CONT'D)

Review of Financial Position and Liquidity (Cont'd)

Liquidity and Gearing

Overall, the Group's financial position remains healthy with cash and cash equivalents stood at RM21.5 million with a current ratio of 6.1 times as at 31 March 2023. The Group's current ratio decreased by 2.8 times as compared to 8.9 times recorded as at 31 March 2022, mainly due to higher bills payable and lease liabilities recorded as at 31 March 2023.

The Group's gearing ratio remained at a healthy level of 0.2 times as at 31 March 2023 as compared to 0.1 times as at 31 March 2022.

| | FYE 2022 | FYE 2023 | YoY Changes |
|--|---------------|---------------|-------------|
| CASH FLOWS | | | |
| Financial Indicators (RM'000) | | | |
| Net cash used in operating activities | (46,186) | (8,360) | 37,826 |
| Net cash from investing activities | 8,664 | 53,968 | 45,304 |
| Net cash from/ (used in) financing activities | 15,068 | (51,361) | (66,429) |
| Net changes in cash and cash equivalents | (22,454) | (5,753) | 16,701 |
| Changes in exchange differences | - | 36 | 36 |
| Cash and cash equivalent as at 1 April | 49,687 | 27,233 | |
| Cash and cash equivalent as at 31 March | 27,233 | 21,516 | |

The Group recorded negative operating cash flows of RM8.4 million in FYE 2023, mainly due to net cash used in supporting our trading segment where our revenue and trade receivables increased substantially.

The Group generated positive investing cash flows of RM54.0 million in FYE 2023, mainly driven by the cash proceeds received from the disposal of investment in associates and other investments. Such cash inflow was partially offset by the purchase of property, plant, and equipment.

The Group recorded negative financing cash flows of RM51.4 million in FYE 2023, mainly due to dividend payments to shareholders. This cash outflow was partially offset by the drawdown of borrowings in FYE 2023.

CAPITAL STRUCTURE, RESOURCES AND COMMITMENT

Our Group's share capital stood at RM72.4 million, comprising 128,649,000 ordinary shares as at 31 March 2023. Our shareholders' equity remains healthy at RM123.6 million as at 31 March 2023, despite a decrease of RM48.2 million or 28.1%, due to the distribution of dividends of RM0.40 per share as compared to RM171.9 million as at 31 March 2022.

We finance our business operations with cash generated from operations, credit extended by suppliers and financial institutions as well as cash and bank balances maintained by the Group. Our banking facilities granted by the financial institutions consists of bills payable and finance leases.

As at 31 March 2023, there were no material capital commitments.

MANAGEMENT DISCUSSION & ANALYSIS

(CONTINUED)

ANTICIPATED OR KNOWN RISK

Our Group acknowledges the presence of certain anticipated or known risks that may have the potential to impact our operations, performance, financial condition, and liquidity. To effectively manage these risks and sustain our growth, we have in place a risk management framework which encompasses processes and policies designed to address and mitigate risks across our Group.

Competition Risk

The Group perceives our trading of building materials and logistics services segments are operating in a highly competitive environment in view of the large number of existing players and threats from new entrants.

Nonetheless, our proven track record, in-depth industry knowledge and experience, skilled manpower, established process management, close business relationships with customers and ability to consistently deliver high-quality services has collectively enabled us to stay competitive.

Dependence on the Construction and Property Development Industries

Trading of building materials is the major revenue contributor to our Group. This segment is dependent on the construction and property development industries. As a result, our Group is exposed to the uncertainties and fluctuations in these industries which can be influenced by factors such as political and economic stability, inflation, labour shortages and fluctuations in raw material prices. Any adverse developments in the construction and property development sectors will have a direct impact on our business.

To mitigate these risks, we keep abreast with the developments in such industries and constantly review our business strategies to remain agile to ensure that we can respond to any potential headwinds.

Fuel Costs

Fuel costs represents a substantial portion of our overall operating costs and hence, any drastic fluctuation in fuel costs would inevitably affect our financial performance.

The financial impact of an increase in fuel costs may be mitigated by passing on the increased costs to our customers via a fuel surcharge, if customers have agreed to a confirmed fixed rate. We will continuously review and negotiate new rates with shorter tenure with customers should the fuel price increase beyond our cost limit.

Credit Risk

We are exposed to credit risk, or the risk of counterparties defaulting, in relation to our trade and other receivables. We manage our exposure to credit risk with the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

In the event of significant delay or default in payment by our major customers, it may adversely affect our operating cash flows and financial position. Any impairment on the receivables will also negatively affect our financial performance. As such, to mitigate the credit risks, we will continuously assess the credit standing of our customers, have in place a tight credit control system and take legal action if necessary.

Cybersecurity Risks

Our e-trading platform is exposed to various cyber threats, including hacking attempts, data breaches, and unauthorised access. These risks pose a potential threat to the confidentiality, integrity and security of sensitive user information and transactional data. To mitigate these risks, we have implemented robust security measures, such as encryption protocols, secure authentication mechanisms, and regular security audits.

MANAGEMENT DISCUSSION & ANALYSIS

(CONTINUED)

ANTICIPATED OR KNOWN RISK (CONT'D)

System Reliability Risks

The seamless operation and reliability of the e-trading platform rely on the stability and performance of its underlying systems and infrastructure. Potential technical glitches, system failures or network disruptions may pose disruption to the availability and user experience of the platform. To address these risks, we have implemented redundancy measures, backup systems, and disaster recovery plans to minimise downtime and ensure uninterrupted service.

Diversification Risk

While our current focus lies in the trading of building materials, logistics and warehousing businesses, we are in the midst of building our core capabilities in anticipation of the expansion of the technology business in FYE 2024. We will be facing new challenges and risks arising from this new business venture in which we have no prior experience. Therefore, we seek to mitigate the new business risk by, amongst others, hiring a team of professionals comprising IT, marketing, risk and compliance, administration and others.

FUTURE PROSPECT AND OUTLOOK

Existing Business Segments

Looking forward into FYE 2024, we foresee our existing businesses will continue to operate in a challenging landscape marked by various macroeconomic factors that pose obstacles and uncertainties, including inflationary pressures, interest rate hikes, currency depreciation, and potential global economic slowdown.

Nevertheless, we remain cautiously optimistic towards the prospect of the Group on the back of gradual recovery of the Malaysian economy, as evidenced by the increasing demand for our building materials as well as the logistics services.

The introduction of our very own "eBuild", a building materials trading platform this year, bodes well for our trading of building materials business segment. We are confident that it will contribute significantly to the Group moving forward.

As for the warehousing segment, the Group has recently announced its plan to monetise all the properties held with the intention of unlocking the value of its property investments and raising proceeds for the funding of its technology business. Upon the completion of the disposal plan, the Group will totally exit the warehousing business.

New Technology Business

In line with the Group's diversification into the technology business, we have been actively exploring various business opportunities in the technology sector. One of our key initiatives is the development of a fintech application that aims to assist users in managing and making informed decisions regarding their financial affairs.

DIVIDEND POLICY

Whilst the Group does not have a dividend policy, it is the Group's intention to distribute dividends to shareholders whenever viable. The Board will take into consideration several factors including, amongst others, financial performance, capital expenditure requirements, general financial condition and cash flow position in deciding on any dividend declaration.

We are delighted to highlight that a first single-tier interim dividend of RM0.40 per ordinary share amounting to approximately RM51.5 million for FYE 2023 was declared on 13 July 2022 and paid out on 16 August 2022.

PROFILE OF DIRECTORS



TAN SRI MUHAMMAD BIN IBRAHIM
*INDEPENDENT
NON-EXECUTIVE CHAIRMAN*

| | | |
|-------------|---|-----------|
| NATIONALITY | : | MALAYSIAN |
| GENDER | : | MALE |
| AGE | : | 63 |

Tan Sri Muhammad Bin Ibrahim was appointed to the Board on 3 January 2023.

He graduated with a Bachelor of Accounting degree from the University of Malaya. He then pursued a Master's Degree on Public Administration from Harvard Kennedy School, USA and Master's Degree on Islamic Finance from the International Islamic University Malaysia. He has also attended the Advanced Management Programme from Harvard Business School, USA. Additionally, he is a member of the Malaysian Institute of Accountants ("MIA") and a Fellow Chartered Banker with the Asia Institute of Chartered Bankers.

Tan Sri Muhammad commenced his career at Bank Negara Malaysia ("BNM") in 1984 and held various senior positions there. He served as Assistant Governor in 2004, Deputy Governor in 2010, and subsequently, in 2016, he assumed the role of the 8th Governor of BNM until 2018. Throughout his tenure at BNM, he prioritised strengthening the resilience of Malaysia's financial system, enhancing financial consumer protection, and promoting financial inclusion.

Apart from his role at BNM, Tan Sri Muhammad also actively participated as a chairman and member of numerous international, regional and local committees, agencies, councils and corporations overseeing central banking, economics, and finance-related matters.

He is also an Independent Non-Executive Chairman in GDEX Berhad.

He has attended one (1) out of one (1) Board meeting held during FYE 2023 upon his appointment to the Board.

PROFILE OF DIRECTORS (CONTINUED)



DATO' ONG CHOO MENG
GROUP CHIEF EXECUTIVE OFFICER
AND EXECUTIVE DIRECTOR

| | | |
|-------------|---|-----------|
| NATIONALITY | : | MALAYSIAN |
| GENDER | : | MALE |
| AGE | : | 45 |

Dato' Ong Choo Meng was appointed to the Board on 3 January 2023. He holds a Bachelor of Business (Economics and Finance) from the Royal Melbourne Institute of Technology, Australia.

Dato' Ong is a visionary leader who directs the Hextar group of companies over the past nineteen (19) years as the Group Chief Executive Officer. To this end, he led and directed Hextar group's growth, business expansion strategies, overall finance and corporate development. Under his stewardship, the Hextar group is now operating across a diverse spectrum of industries ranging from manufacturing and distribution of chemicals, fertilisers, rubber gloves, medical test kits, plasticware, furniture and wooden products, to providing ICT solutions and services, telecommunication solutions and services, renewable energy, logistics, and real estate investment trust.

Prior to his appointment to the Board, Dato' Ong held the position of Executive Director at Hextar Global Berhad. He also served as the Non-Independent Non-Executive Director of Hextar Industries Berhad and Hextar Healthcare Berhad (formerly known as Rubberex Corporation (M) Berhad).

Currently, he does not hold directorships in any other public companies and listed issuers. Nevertheless, he is currently the director of Hextar Tech Sdn. Bhd. and Hextar Holdings Sdn. Bhd., in which both are the major shareholders of the Company.

He has attended one (1) out of one (1) Board meeting held during FYE 2023 upon his appointment to the Board.

PROFILE OF DIRECTORS (CONTINUED)



CHOO JOON KEONG

*GROUP DEPUTY CHIEF EXECUTIVE OFFICER
AND EXECUTIVE DIRECTOR*

| | | |
|-------------|---|-----------|
| NATIONALITY | : | MALAYSIAN |
| GENDER | : | MALE |
| AGE | : | 53 |

Mr. Choo Joon Keong was appointed to the Board on 3 January 2023. He holds a Bachelor Degree in Accounting from RMIT University, Australia.

Mr. Choo began his career in banking and finance as a Management Trainee in 1993 with an international bank. In 2000, he moved to a Singapore-based regional bank where he was initially based in Malaysia before taking a senior position in their China subsidiary from 2004 until 2008. Subsequently, Mr. Choo returned to Malaysia and joined a local bank, where he served as the Head of Wholesale Banking until 2012. He then joined the leadership team of a Thailand-based regional bank as the Head of Business Banking and was later appointed as the Chief Executive Officer of its Malaysian subsidiary in 2018. He assumed an advisory role from November 2021 to April 2022 to facilitate a leadership transition.

Mr. Choo has vast knowledge and expertise across various industries and an established business network. During his tenure, he was responsible for strategic planning, identifying and developing talents for organisational growth and robust succession planning, as well as harnessing and galvanizing synergies for sustainable growth.

Mr. Choo does not hold directorships in any other public companies and listed issuers.

He has attended one (1) out of one (1) Board meeting held during FYE 2023 upon his appointment to the Board.

PROFILE OF DIRECTORS

(CONTINUED)



RONALD KHOO BOO SOON
EXECUTIVE DIRECTOR

| | | |
|-------------|---|-----------|
| NATIONALITY | : | MALAYSIAN |
| GENDER | : | MALE |
| AGE | : | 52 |

Mr. Ronald was appointed to the Board on 15 June 2021. He is the Chairman of the Risk Management Committee ("RMC"). Mr. Ronald is a fellow member of The Association of Chartered Certified Accountants (UK) ("FCCA").

Upon his graduation in 1994, he started his career at one of the Big 4 accounting firms before moving on to join the Corporate Advisory department of Malaysian International Merchant Bankers Berhad in 1996. In 2001, Mr. Ronald briefly worked at Deloitte & Touche Corporate Advisory Services Sdn Bhd before joining AmInvestment Bank Berhad in 2002. He initially worked in the Corporate Finance department and later transitioned to the Equity Capital Markets team.

In 2012, Mr. Ronald left AmInvestment Bank Berhad and took on the role of Director in the Equity Capital Markets department at Maybank Investment Bank Berhad. In 2021, he assumed the position of Group Chief Corporate Officer of the Hextar Group of Companies.

He does not hold directorships in any other public companies and listed issuers.

Mr. Ronald has attended all seven (7) Board meetings held during FYE 2023.

PROFILE OF DIRECTORS (CONTINUED)



DATO' ONG CHONG YI
*INDEPENDENT
NON-EXECUTIVE DIRECTOR*

| | | |
|-------------|---|-----------|
| NATIONALITY | : | MALAYSIAN |
| GENDER | : | MALE |
| AGE | : | 44 |

Dato' Ong Chong Yi was appointed to our Board on 16 November 2020. He is the Chairman of the Nomination and Remuneration Committee ("NRC") and a member of the Audit Committee ("AC") and RMC. Dato' Ong holds a Master of Business Administration and a Bachelor of Arts (Hons) in International and Strategic Studies from the University of Malaya.

With leadership roles in the public and private sectors, he has served in various positions, including Assistant Director of JPJ Pahang, Senior Assistant Director of JPJ Selangor, and Principal Assistant Director (China) at the Ministry of International Trade and Industry, Malaysia ("MITI"). He also served as Minister Counsellor (Economy Affairs) at the Malaysian Embassy in Beijing, President of China-Malaysia Qinzhou Industrial Park and CEO of Port Klang Free Zone.

Dato' Ong is also a member of the Asia-Europe Institute and the Arts and Social Sciences Faculty's Board of Studies at the University of Malaya. He also serves as Vice President of Malaysia-Macao Chamber of Commerce, and Advisor of Malaysia-China Chamber of Commerce.

He possesses extensive experience managing large-scale government projects and handling high-level government interactions, demonstrating a deep understanding of governmental structures, business markets, and industries in Malaysia and China.

Dato' Ong does not hold directorships in any other public companies and listed issuers.

He has attended all seven (7) Board meetings held during FYE 2023.

PROFILE OF DIRECTORS (CONTINUED)



YEOH CHIN HOE

INDEPENDENT

NON-EXECUTIVE DIRECTOR

| | | |
|-------------|---|-----------|
| NATIONALITY | : | MALAYSIAN |
| GENDER | : | MALE |
| AGE | : | 72 |

Mr. Yeoh Chin Hoe was appointed to our Board on 16 March 2021. He is the Chairman of the AC, and a member of the NRC.

Mr. Yeoh holds a Master's degree in Business Administration (General Management) from University Putra Malaysia and is a Chartered Accountant of MIA, a FCCA, a fellow member of the Institute of Chartered Secretaries and Administrators (UK), and a member of the Malaysian Institute of Certified Public Accountants.

He started his accountancy and audit career in London with Spicer & Pegler, Chartered Accountants (now merged with Deloitte) from 1973 to 1978. He later joined Coopers & Lybrand in Kuala Lumpur as the Assistant Manager in 1978 and then joined Harrison's Trading (Peninsular) Sdn. Bhd. in 1980 as the Group Internal Auditor, and was appointed as Finance Director in 1990 and subsequently as Managing Director in 1997 until his retirement in 2006. After retirement, he founded BPI Corptall Consulting Sdn. Bhd., a business management consulting firm, specialising in business process improvements and general business management services.

Mr. Yeoh is also an Independent Non-Executive Director in both Chin Hin Group Berhad and Hextar Global Berhad.

He has attended all seven (7) Board meetings held during FYE 2023.

PROFILE OF DIRECTORS (CONTINUED)



**SUJATHA SEKHAR A/P
TAN SRI B.C. SEKHAR**

*INDEPENDENT
NON-EXECUTIVE DIRECTOR*

| | | |
|-------------|---|-----------|
| NATIONALITY | : | MALAYSIAN |
| GENDER | : | FEMALE |
| AGE | : | 60 |

Madam Sujatha Sekhar was appointed to our Board on 23 May 2023. She is a member of the AC, NRC and RMC.

With an LLB (Hons) Degree from the University of London, Madam Sujatha was called to the Bar of England and Wales in 1989 and subsequently qualified as a Solicitor with the Law Society of England and Wales in 1990. She was admitted to the Malaysian Bar in 1998. In addition to her legal qualifications, Madam Sujatha is an accredited mediator, certified trainer, and coach at the Bar Council's Malaysian Mediation Centre.

Bringing more than 30 years of experience in legal and capital market work, Madam Sujatha is a senior capital markets professional with expertise in policy and strategy development, governance, compliance, and dispute resolution. Her extensive experience provides her with a comprehensive understanding of financial markets, regulatory frameworks, as well as investor concerns and challenges.

From 2013 to 2019, Madam Sujatha served as the Chief Executive Officer ("CEO") of the Securities Industry Dispute Resolution Center (SIDREC), where she played a crucial role in aligning SIDREC's dispute resolution service with international best practices and advancements in the capital market.

In October 2021, she was the Chief Governance Officer & Group General Counsel of Smart Glove Holdings Bhd, bringing her experience in governance and compliance work to the manufacturing sector. Prior to this, she ran her own consultancy, and was part of the founding team of Kapital DX Sdn. Bhd., a fintech start-up and approved digital asset platform, responsible for developing the risk and compliance framework for the platform.

Madam Sujatha is currently the chairperson and a board member of the Malaysian Institute of Corporate Governance (MICG) and also sits on the board of The Financial Services Ombudsman (OFS). She is also an Independent Non-Executive Director in Metrod Holdings Berhad.

During FYE 2023, she did not attend any Board meeting as no Board meetings were convened after her appointment to the Board.

ADDITIONAL INFORMATION ON BOARD OF DIRECTORS

- Family Relationship with Directors and/or Substantial Shareholders**
Save as disclosed above, none of the Directors of the Company have any family relationship with the other Directors and/ or substantial shareholders of the Company.
- Conflict of Interest**
None of the Directors of the Company have any conflict of interest with the Company.
- Convictions for Offences**
None of the Directors of the Company have been convicted of any offences in the past five (5) years or been imposed on any public sanction or penalty by relevant regulatory bodies during the financial year, other than traffic offences, if any.

PROFILE OF KEY SENIOR MANAGEMENT

TAN ENG KIONG

FINANCIAL CONTROLLER

| | | |
|-------------|---|-----------|
| NATIONALITY | : | MALAYSIAN |
| GENDER | : | MALE |
| AGE | : | 48 |

Mr. Tan Eng Kiong is our Financial Controller appointed on 1 September 2021. He is responsible for managing the Group's overall finance and accounting matters.

He graduated from the University of Malaya with a Bachelor's Degree in Accounting and is currently a Chartered Accountant of MIA.

Mr. Tan began his career with a public listed company and later held senior finance positions in various private companies before joining the Group. Over the years, he has gained more than 20 years of experience in accounting and finance field.

Mr. Tan does not hold directorships in any public companies and listed issuers. He has no family relationship with any Directors and/or substantial shareholders of the Company and has no conflict of interest with the Company. He has not convicted any offences in the past five (5) years or been imposed on any public sanction or penalty by relevant regulatory bodies during the financial year, other than traffic offences, if any.

SUSTAINABILITY STATEMENT



Dear Valued Stakeholders,

HexTech Group believes that sustainable business practices are essential to create long-term value to the people and planet. We recognise that our business operations would have certain degree of impacts to the local economy, surrounding environment and the society at large, and hence we are committed to being a responsible corporate citizen.

The Board is pleased to present the Sustainability Statement (“Statement”) for the financial year ended 31 March 2023 (“FYE 2023”), which demonstrates our dedication to sustainability and outlines our sustainability strategies and performance in addressing material sustainability risks and opportunities within the context of Economic, Environment, Social and Governance (“EESG”).

Reporting Scope and Period

This Statement covers the Group’s sustainability initiatives, strategies and performances in three (3) major business segments, namely logistics, warehousing and trading of building materials, for the period from 1 April 2022 to 31 March 2023, unless otherwise specified.

Reporting Guidelines

This Statement was prepared based on all available internal information and in accordance to the Bursa Malaysia Securities Berhad’s (“Bursa Securities”) Sustainability Reporting Guide 3rd Edition and the Main Market Listing Requirement (“MMLR”) relating to the Sustainability Statement.

We have also made reference to the United Nations Sustainable Development Goals (“UNSDG”) in mapping our material sustainability matters and developing the Group’s sustainability strategies.

Feedback

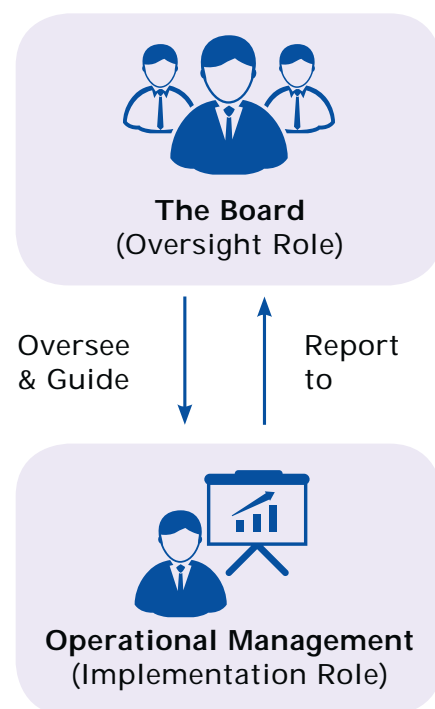
HexTech welcomes all stakeholders’ feedback on this Statement or any relevant sustainability matters concerned to improve our sustainability measures and reporting standards.

Relevant comments or feedbacks can be directed to info@hextar.com.

SUSTAINABILITY GOVERNANCE

HexTech recognises the importance of a sustainability governance structure in driving our sustainability agenda. In HexTech, the ultimate responsibility for overseeing the Group’s sustainability affairs lies with the Board, which serves as the highest authority within the Group. The Board is accountable for setting sustainability goals and strategies, making relevant decisions, managing stakeholder relationships as well as providing guidance and advice to the Management of the Group (“Management”) in relation to sustainability management.

The Management, led by the Executive Directors, is responsible to implement and monitor sustainability strategies in our day-to-day operations across the Group. Our Heads of Departments (“HODs”) are entrusted to implement sustainability initiatives within their respective operational areas. We believe that this decentralised approach is able to integrate sustainability into all aspects of our business and drives us towards achieving our sustainability goals effectively.



SUSTAINABILITY STATEMENT

(CONTINUED)

STAKEHOLDERS ENGAGEMENT

HexTech Group believes that consistent engagements with our stakeholders will enable the Group to better understand the needs and expectations of our various stakeholders. This will facilitate the development of appropriate sustainability strategies and initiatives that support the Group's long-term growth. In FYE 2023, we engaged with our stakeholders to understand their areas of concern through multiple engagement approaches as follows: -

| Stakeholders | Areas of Concern | Engagement Approaches |
|---|---|--|
| Shareholders/ Investors | <ul style="list-style-type: none"> Investment risks and returns Financial and operational performance Corporate governance Business strategies and management | <ul style="list-style-type: none"> General meetings Annual reports Quarterly financial results Announcements on Bursa Securities' website Company's website |
| Vendors | <ul style="list-style-type: none"> Sustainable business relationship Credit terms and timely payments Transparent procurement procedures | <ul style="list-style-type: none"> Business meetings Phone and email communication |
| Customers | <ul style="list-style-type: none"> Products and services quality Competitive pricing and on-time delivery | <ul style="list-style-type: none"> Business meetings Phone and email communication Company's website/social media |
| Employees | <ul style="list-style-type: none"> Career progression Competitive remuneration and benefits packages Human resource management Occupational safety and health | <ul style="list-style-type: none"> Performance appraisals Operational discussions and meetings Training and development programmes |
| Regulators/ Government Authorities | <ul style="list-style-type: none"> Regulatory compliance Licences and permits Corporate governance Accurate and transparent disclosures | <ul style="list-style-type: none"> Periodic visits and inspections Licences and permits renewal Announcements on Bursa Securities' website Ad-hoc information disclosure |
| Financiers/ Bankers | <ul style="list-style-type: none"> Financial performance Repayment capabilities | <ul style="list-style-type: none"> Quarterly financial results Announcement on Bursa Securities' website |
| Local Communities | <ul style="list-style-type: none"> Employment opportunities Environmental impacts from business operations Community wellbeing | <ul style="list-style-type: none"> Annual report Company's website Community outreach programmes |

SUSTAINABILITY STATEMENT (CONTINUED)

MATERIALITY ASSESSMENT AND KEY SUSTAINABILITY MATTERS

Materiality Assessment Process

Materiality assessment is regarded as an important process for our Group to identify and prioritise the sustainability issues that are most relevant to our business and stakeholders, which would in turn assist us in developing strategies to achieve our sustainability goals. In order to ensure that we stay abreast with the latest business and regulatory environments, we conduct materiality assessment on an annual basis via a four-step approach as illustrated below: -



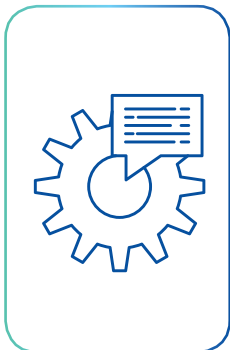
Stakeholders Identification & Engagement

- To identify the key stakeholders of the Group.
- To engage with the identified key stakeholders to understand their concerns, needs and expectations.



Sustainability Matters Identification

- After gaining understanding from various stakeholders, to identify the material sustainability matters which are important to both the Group and stakeholders.



Categorisation & Prioritisation

- To assess, evaluate and categorise the identified sustainability matters in accordance with our EESG pillars.
- To rank and prioritise the identified material sustainability matters based on their respective impacts and importance level towards the Group and stakeholders.
- To develop sustainability strategies and report the same to the Board.



Process Review

- To undertake periodical review and improve materiality assessment process.

SUSTAINABILITY STATEMENT

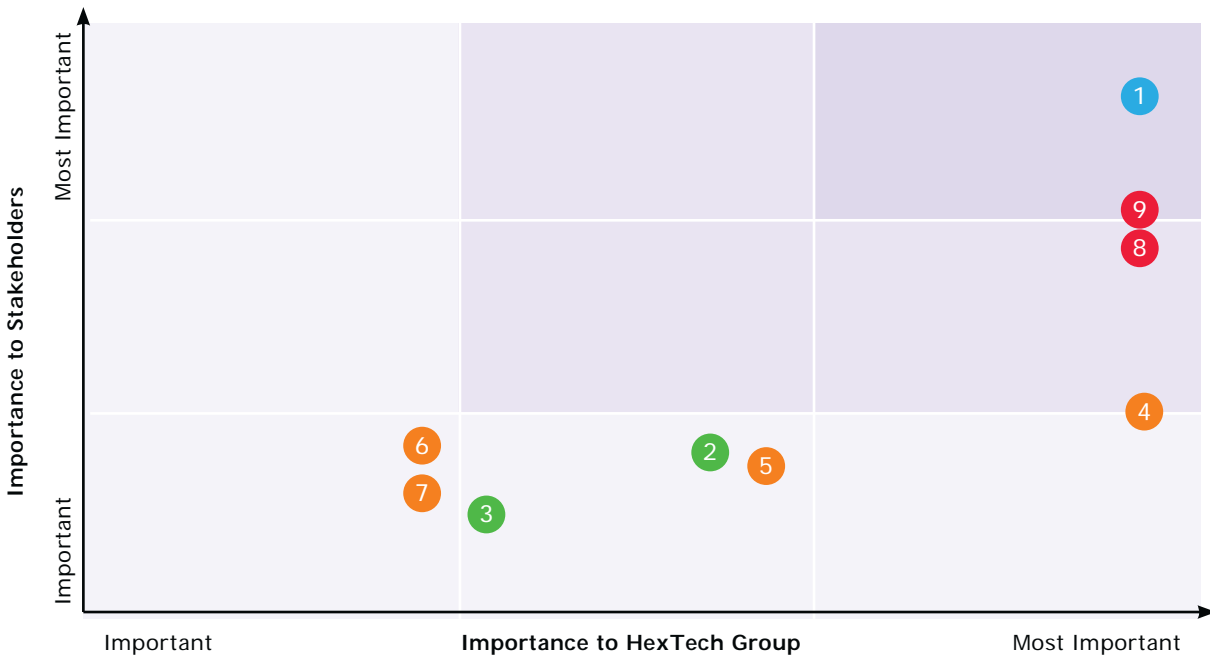
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MATERIALITY ASSESSMENT AND KEY SUSTAINABILITY MATTERS (CONT'D)

Materiality Matrix

Based on the materiality reassessment conducted in FYE 2023, the Group’s material matters remain substantially similar to the material matters identified last year with some amendments to better reflect the importance of the material matters identified. A total of nine (9) material matters have been identified this year.

The following material matter matrix has depicted the Group’s material sustainability matters, scaling from “Important” to “Most Important” as follows: -



| ECONOMIC | ENVIRONMENT | SOCIAL | GOVERNANCE |
|-----------------------|--|---|----------------------------|
| 1 Economic Resilience | 2 Energy Conservation and Emission Reduction | 4 Occupational Safety and Health | 8 Regulatory Compliance |
| | 3 Green Initiatives | 5 Workforce Diversity and Equal Opportunity | 9 Ethical Business Conduct |
| | | 6 Employee Welfare | |
| | | 7 Corporate Social Responsibility | |

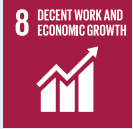
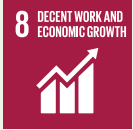


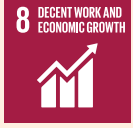


SUSTAINABILITY STATEMENT (CONTINUED)

MATERIALITY ASSESSMENT AND KEY SUSTAINABILITY MATTERS (CONT'D)

Sustainability Strategies and Mapping of UNSDG

In line with the latest sustainability trend and development, we are committed to contribute to the global sustainability priorities and achievement of the broader sustainable development agenda with reference to the UNSDG.

With the key stakeholders and material matters identified earlier, we have developed our sustainability strategies and mapped to five (5) relevant UNSDGs, as illustrated in the following table: -

| | Material Matters | Stakeholders | Sustainability Strategies | SDGs |
|----------------------|--|---|--|---|
| Economic | <ul style="list-style-type: none"> Economic Resilience | <ul style="list-style-type: none"> Shareholders/ Investors Vendors Customers Employees Financiers/ Banks | <ul style="list-style-type: none"> Implementing business expansion and diversification strategies in line with the latest market trend to ensure the Group's business sustainability and long-term value creation. |  |
| Environmental | <ul style="list-style-type: none"> Energy Conservation and Emission Reduction Green Initiatives | <ul style="list-style-type: none"> Employees Regulators/ Government Authorities Local Communities | <ul style="list-style-type: none"> Continuous monitoring and control on diesel consumption to ensure resources and performance efficiency. Adopting green actions to preserve the environment. |   |
| Social | <ul style="list-style-type: none"> Occupational Safety and Health Workforce Diversity and Equal Opportunity Employee Welfare Corporate Social Responsibility | <ul style="list-style-type: none"> Employees Regulators/ Government Authorities Local Communities | <ul style="list-style-type: none"> Upholding employees' safety, health and rights as the Group's utmost priority to ensure business sustainability. Maintaining a diverse and inclusive workplace to foster employees' motivation and drive organisational success. Nurturing a compassionate community through charitable donations. |    |
| Governance | <ul style="list-style-type: none"> Regulatory Compliance Ethical Business Conduct | <ul style="list-style-type: none"> Shareholders/ Investors Employees Regulators/ Government Authorities | <ul style="list-style-type: none"> Enforcement of policies and procedures to promote corporate governance and regulatory compliance. |  |

SUSTAINABILITY STATEMENT

(CONTINUED)

ECONOMIC

ECONOMIC RESILIENCE

In line with SDG Target 8.1, sustainable business growth is a key concern to the Group especially when the aftermath of the Covid-19 pandemic continued to be felt throughout the year 2022 and 2023. Despite operating in a challenging business environment, we are glad to highlight that our revenue for FYE 2023 has improved by 42.4% vis-a-vis financial year ended 31 March 2022 ("FYE 2022").

Notwithstanding the revenue growth achieved, we registered a 70.4% drop in our profit after tax in FYE 2023, mainly attributable to the non-recurring one-off gain on disposal of subsidiaries in FYE 2022, coupled with reduced rental income from the warehousing segment due to the expiry of a tenancy agreement for one of the warehouses in FYE 2023. Additionally, a provision for impairment loss on trade receivables in FYE 2023 has further impacted our financial performance.

Further details of our financial and operational performance can be referred to Management Discussion and Analysis section within this Annual Report.

During the FYE 2023, our strategies to achieve economic resilience are as follows: -

(a) Official Launch of eBuild

FYE 2023 marked a significant milestone for Hextech as we proudly announced the official launch of our very own "eBuild", Malaysia's premier Business-to-Business ("B2B") e-marketplace that connects the suppliers and purchasers of construction and building materials in which they can directly interact and make deals in the most efficient manner.

eBuild offers an end-to-end integrated supply chain solution by simplifying both sourcing and procurement processes, thereby enhancing the overall market efficiency. With this e-commerce platform, customers can swiftly and conveniently gain access to a wide range of building materials, including bricks and blocks, cement, iron and steel products, precast concrete products, roofing and ceiling, wooden products etc. At the launch event, Ms. Janice Leow, the Executive Director of CIBC Technology Sdn. Bhd., a subsidiary of HexTech, said, "In meeting the expectations of the digital age today that emphasises speed and efficiency, moving our conventional brick-and-mortar business to the e-marketplace is the answer to business sustainability."



SUSTAINABILITY STATEMENT (CONTINUED)

ECONOMIC (CONT'D)

ECONOMIC RESILIENCE (CONT'D)

(b) Diversification into Technology Business

While the Group managed to navigate through the challenging times brought by the pandemic, it recognises the importance of maintaining resilience in this turbulent environment. Having considered the potential and opportunities provided by the technology sector, the Company had on 7 July 2022, obtained its shareholders' approval to diversify its business into Information and Communications Technology ("ICT") solutions and services.

Currently, the Group is in the midst of assessing the viability of a Fintech Super Application ("App") that aims to assist the users in managing and making informed decision about their financial affairs. According to Dato' Eddie Ong Choo Meng, the Group Chief Executive Officer of HexTech Group, "We are envisioning it to be 'the first App you use when you wake up and the last App you check before you sleep'", highlighting our dedication to drive innovation and staying in the forefront of the latest technological advancements.

To align with SDG Target 8.1, we are committed to both achieving internal business sustainability and contributing to local economic growth. In this regard, we have engaged nearly 100% local vendors and suppliers for our materials and supplies sourcing in FYE 2023. This deliberate choice plays a significant role in stimulating and supporting our local economy, aiming to create a positive economic impact within our community and foster sustainable economic growth within our country.

ENVIRONMENT

ENERGY CONSERVATION AND EMISSION REDUCTION

We acknowledge that our logistics services segment, while being the second largest revenue contributor to the Group, also brings adverse impact to the environment. As a responsible corporate citizen, we are committed to monitor and control our diesel fuel consumption to minimise our transport-related carbon footprint.

With SDG Target 8.4 and 12.2 in mind, we have implemented a "Total Dynamic System" since 2015 to monitor our fuel consumption, fuel level sensor, skid tanks and track fleet vehicles via Global Positioning System ("GPS") tracking system and devices. This system enables us to control and manage our fleets' performance effectively.

In FYE 2023, we recorded a higher diesel consumption at 1,338,088 litres as compared to 1,262,260 litres in FYE 2022, representing a slight increase of 6.0%. Such increase was in line with the segment's revenue growth resulting from the strong recovery in logistics services demand. As a result, the estimated carbon emissions from our fleet vehicles amounted to approximately 3,561 t CO₂e in FYE 2023 as compared to 3,337 t CO₂e in FYE 2022.

Through continuous monitoring of our diesel consumption, we aim to identify and implement strategies that promote both business growth and environmental responsibility to strike a balance between economic success and environmental stewardship.



SUSTAINABILITY STATEMENT

(CONTINUED)

ENVIRONMENT (CONT'D)

GREEN INITIATIVES

In our continuous pursuit of sustainability, we endeavour to cultivate and uphold green mindsets and actions within our workplace, envisioning a future that is greener and more sustainable. With SDG Target 12.5 in mind, we actively practice the 4R approach (reduce, reuse, recycle, and recover) as part of our healthy office habits.

Building on the foundations laid in previous years, we continue to implement the following green initiatives this year, striving to conserve natural resources, minimise waste generation and contribute to energy conservation: -

- To reduce reliance on physical documents and adopt electronic transactions and e-documents, whenever possible;
- To diligently manage electricity consumption by actively turning off lights and air conditioning when not in use;
- To minimise carbon emissions by leveraging on virtual communication platform such as WhatsApp and Zoom to replace unnecessary travel;
- To reuse waste paper for drafting purpose before recycling them; and
- To practise responsible disposal and recycling of paper, plastic and aluminium waste, whenever feasible.

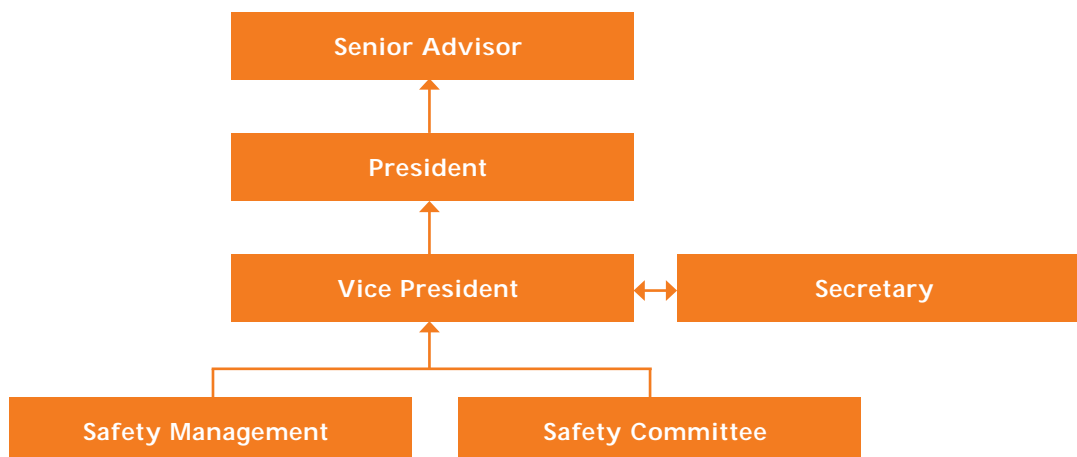


SOCIAL

OCCUPATIONAL SAFETY AND HEALTH ("OSH")

Here in HexTech, OSH remains as one of our top priorities, especially within the logistics services segment in view of its business nature with a higher risk of road accidents. To this end, we have in place an OSH Committee, comprising representatives from various business segments to ensure a more comprehensive OSH management to cover the entire Group's operations. The OSH Committee is entrusted to oversee the Group's OSH regulatory compliance and OSH-related matters.

Within our OSH Committee structure, the Senior Advisor, who is the director of our subsidiaries, assumes the responsibility to advise and manage the Group's overall OSH matters. Meanwhile, our Financial Controller serves as the president of the OSH Committee, while our Operation Manager acts as the vice president. Safety Management and Safety Committee are represented by the Management and employees respectively.



SUSTAINABILITY STATEMENT (CONTINUED)

SOCIAL (CONT'D)

OCCUPATIONAL SAFETY AND HEALTH (“OSH”) (CONT'D)

With SDG Target 3.6 and 8.8 in mind, we have in place a SHE Policy to guide our employees in safeguarding the safety and health of the employees, drivers, customers and the local community. All employees are required to comply with the policy. Non-compliance to the policy and the relevant laws and regulations may result in disciplinary actions such as penalties or warnings.

| SHE Policy |
|---|
| <ul style="list-style-type: none"> To ensure road safety by taking the following safety measures: - <ul style="list-style-type: none"> - Execute operations in a safe manner - Comply with the use of safety seat belts - Comply with regulated speed limit, driving time and working hours - Prohibit the use of phones during driving - Implement hazard risk analysis - Prohibit drug and alcohol consumption during driving - Comply with Journey Management Plan (“JMP”) To ensure continuous compliance to the SHE Policy in upholding the highest standard of safety To cultivate and maintain OSH awareness in workplace To comply with all applicable laws and regulations To comply with environmental regulations to preserve the environment |



Thanks to our stringent OSH management, we are pleased to highlight that no work-related injury or accident was reported in the FYE 2023. Moving forward, we are committed to continue to enhance and maintain our OSH practices so as to achieve a zero-injury working environment for all of our employees.

WORKFORCE DIVERSITY AND EQUAL OPPORTUNITY

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

We uphold the principles of fair and equitable, dignity, respect and non-discrimination in our workplace. In line with SDG Target 10.3, any form of discrimination is strictly prohibited and equal opportunities shall be given to encourage a diverse and yet inclusive, dynamic and motivated workforce.



SUSTAINABILITY STATEMENT

(CONTINUED)

SOCIAL (CONT'D)

WORKFORCE DIVERSITY AND EQUAL OPPORTUNITY (CONT'D)

As at 31 March 2023, the Company comprises a diverse Board with six (6) members while the Group has a total of 107 employees. Given the nature of our business especially logistics services, our male employees make up the majority of workforce in the Group.

| | Board | Employee Category | | | |
|--------------------------------------|-------|-------------------|------------|-----------|---------------|
| | | Senior Management | Management | Executive | Non-Executive |
| Total | 6 | 8 | 10 | 24 | 65 |
| Gender | | | | | |
| <i>Male</i> | 6 | 6 | 5 | 13 | 56 |
| <i>Female</i> | - | 2 | 5 | 11 | 9 |
| Age Group | | | | | |
| <i>< 30</i> | - | - | 2 | 13 | 4 |
| <i>30 – 50</i> | 2 | 5 | 8 | 8 | 43 |
| <i>> 50</i> | 4 | 3 | - | 3 | 18 |
| Nationality | | | | | |
| <i>Local</i> | 6 | 8 | 10 | 24 | 62 |
| <i>Foreign</i> | - | - | - | - | 3 |
| Ethnicity | | | | | |
| <i>Malay</i> | 1 | - | 2 | 7 | 50 |
| <i>Chinese</i> | 5 | 8 | 8 | 14 | 3 |
| <i>Indian</i> | - | - | - | 3 | 9 |
| <i>Others</i> | - | - | - | - | 3 |
| Division | | | | | |
| <i>Trading</i> | N/A | 3 | 6 | 16 | 1 |
| <i>Logistics Services</i> | N/A | 1 | 2 | 4 | 63 |
| <i>Corporate Office & Others</i> | N/A | 4 | 2 | 4 | 1 |

As at 31 March 2023, we are proud to report that we have recruited ten (10) interns for our trading of building materials segment, being trained in various departments including Information Technology ("IT"), Marketing and Business Development. The internship programme serves as a win-win strategy where young talents are able to gain relevant practical experience and develop their skills, while our Group benefits from their contributions and potential long-term talent retention after their graduation.

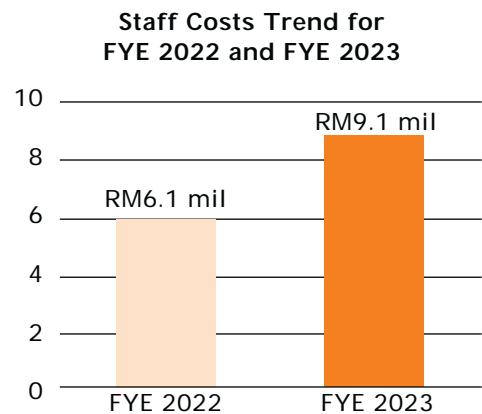
SUSTAINABILITY STATEMENT (CONTINUED)

SOCIAL (CONT'D)

WORKFORCE DIVERSITY AND EQUAL OPPORTUNITY (CONT'D)

In line with our business growth and expansion, our total workforce has increased from 95 employees as at 31 March 2022 to 107 employees as at 31 March 2023. As a result, we have incurred a higher staff cost by 49.2% this year, increasing from RM6.1 million in FYE 2022 to RM9.1 million in FYE 2023.

This substantial increase in staff costs signifies our commitment to invest in our employees and nurture a talented workforce. We recognise that our employees are instrumental in driving our business forward and achieving our strategic long-term objectives. By expanding our team, we aim to enhance our operational capabilities, improve service delivery, and facilitate our growth trajectory.



EMPLOYEE WELFARE

To ensure a sustainable workforce, the wellbeing and interest of our employees are a key priority to the Group. In this regard, we strictly adhere to the provisions of the Malaysian Employment Act 1955 and the Minimum Wages Order 2022 by upholding the following four (4) key principles: -



Fair Recruitment

Selection of candidates for recruitment are made in a fair and transparent manner with regards to merits and guided by respect, diversity, integrity and accountability. Our recruitment decisions are guided by objective criteria and unbiased assessments, ensuring that each candidate is given a fair chance to demonstrate their abilities and potential.



Humane Treatment & Non-Discrimination

All employees are treated equally without discrimination on any race, gender, age, nationality, religion and political opinion. We foster a culture that promotes inclusivity, diversity, and respect, where every individual is valued for their unique contributions and perspectives. Any harsh treatment is strictly prohibited within the Group.



Employment Freedom

Employees are provided the freedom to choose their desired career path. We believe in empowering individuals to make choices that align with their career goals and aspirations. With reasonable notice, employees have the opportunity to explore new career paths within our organisation or pursue opportunities outside, fostering a culture of personal and career growth.



Regulated Working Hours, Wages and Benefits

HexTech adheres to all applicable employment laws in Malaysia at all times. Our employees are entitled to reasonable working hours, breaks and days off, allowing them to maintain a healthy work-life balance. They are also clearly informed about their wages and benefits and be remunerated on a timely basis.

SUSTAINABILITY STATEMENT

(CONTINUED)

SOCIAL (CONT'D)

EMPLOYEE WELFARE (CONT'D)

With our proper human resources management, we are pleased to highlight that no incidents of discrimination, grievances about human rights issues, child labour, forced or compulsory labour, or any infringements on freedom of association were reported during the FYE 2023. These outcomes reflect our commitment to maintain a safe, inclusive and ethical working environment where all individuals are treated with fairness, respect and dignity. Staying ahead, we strive to continue upholding these principles so as to protect the well-being and rights of our employees.

CORPORATE SOCIAL RESPONSIBILITY

As part of our commitment to corporate social responsibility, we are dedicated to make a positive impact to the local communities. In line with this commitment, we are pleased to share that during FYE 2023, we donated RM5,500 worth of masks and RM1,950 worth of RTK test kits to the Good Samaritan Home, an orphanage dedicated to providing care and support to underprivileged children. These donations are a testament to our commitment to making a positive impact in the communities where we operate. By providing essential supplies to those in need, we strive to contribute to the health and well-being of the children and staff at Good Samaritan Home, especially during these challenging times.



SUSTAINABILITY STATEMENT (CONTINUED)

GOVERNANCE

REGULATORY COMPLIANCE

As an accountable entity, the Group is committed to maintain a high standard of corporate governance and adhere to all applicable rules, laws and regulations. In this regard, Standard Operating Procedures (“SOPs”) have been established and adopted across the Group to serve as a guideline for all employees to execute their duties and functions in a proper manner. The key laws, rules and regulations which are applicable to the Group include but not limited to the following: -

| Section | Standards, Laws and Regulations |
|--------------------------------|--|
| Labour | <ul style="list-style-type: none"> • Employment Act 1955 • Minimum Wages Order 2022 • Personal Data Protection Act 2010 • Workmen Compensation Act 1952 • Employees’ Social Security Act 1969 • Employees Provident Fund Act 1991 • Income Tax Act 1967 |
| Safety, Health and Environment | <ul style="list-style-type: none"> • Occupational Safety & Health Act 1994 • Environmental Quality Act 1974 • Fire Service Act 1988 |
| Transportation | <ul style="list-style-type: none"> • Road Transport Act 1987 (“RTA 1987”) • Weight and Measures Act 1972 • Weight Restriction Order (Federal Road) |

Specifically, for our logistics services segment, we are mindful that the compliance to RTA 1987 is paramount to ensure that our drivers and vehicles are operating within the permissible and safe conditions. In compliance with the RTA 1987, all our commercial vehicles are required to undergo routine inspection at PUSPAKOM every six (6) months or once a year depending on vehicle age. For FYE 2023, all our vehicles have fulfilled the standard limits and have passed all PUSPAKOM tests, including the measurement tests for emission of smoke and gasses within the specific legal limit of 50%.

ETHICAL BUSINESS CONDUCT

Ethical business conduct is essential for the Group to achieve various sustainability goals. The Group is committed to uphold the highest standards of accountability, transparency, integrity and ethical business conduct at all times in order to protect our shareholders’ investments, stakeholders’ interests as well as the Group’s assets.

In this regard, we have put in place a Code of Ethics and Conduct (“the Code”) to serve as a guidance to our employees with the following key objectives: -

- To establish a standard of ethical behaviour based on trustworthiness, honesty, integrity and values that can be accepted or upheld by any person; and
- To uphold the spirit of responsibility and social responsibility in line with the regulations and guidelines governing a company.

The Code covers mainly three (3) key areas including corporate governance, relationship management with various stakeholders as well as responsibility towards social and environment.

SUSTAINABILITY STATEMENT

(CONTINUED)

GOVERNANCE (CONT'D)

ETHICAL BUSINESS CONDUCT (CONT'D)

Meanwhile, to align with SDG Target 16.5, the Group has introduced an Anti-Bribery and Corruption Policy & Procedures ("ABCPP") to demonstrate our zero-tolerance against all forms of bribery and corruption. The ABCPP sets out the adequate measures in addressing various potential bribery and/or corruption situation, as well as the consequences for violation of the said policy.

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

All whistleblowers who report in good faith will be protected, and any information received will be handled confidentially and with the utmost discretion. An independent investigation will be conducted and appropriate actions will be taken thereafter.

On a separate note, HexTech had on 24 May 2022 adopted a Directors' Fit and Proper Policy. This policy outlines the criteria for our Nomination Committee to review any appointment and re-appointment of directors in HexTech to ensure that such appointment and re-appointment are assessed in an objective manner.

All the above-mentioned Code, ABCPP, WBP and Directors' Fit and Proper Policy are accessible on the Company's website at <https://ir2.chartnexus.com/hextech/corporate-governance.php>.

We are pleased to highlight that we have not received any whistleblowing report in FYE 2023. In addition, no employees had been disciplined or dismissed, nor any public cases been brought against the Group and its employees due to bribery, corruption, fraud or non-compliance to the applicable laws and regulations.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of HexTech recognises the utmost importance of effective corporate governance to drive our Group's business success. As such, we are committed to uphold the highest standards of transparency, accountability, integrity and ethical conduct across our Group. Corporate governance serves as the foundation for our operations and guides our decision-making processes by aligning with the recommendations outlined in the Malaysian Code on Corporate Governance ("MCCG").

In regards to this, the Board is pleased to present this Corporate Governance Overview Statement ("CG Statement"), which provides an overview on the Board's initiatives and commitments in promoting good corporate governance across the Group during FYE 2023. This CG Statement has been prepared in compliance with Paragraph 15.25(1) and the Practice Note 9 of the MMLR. It is outlined based on the following three (3) key corporate governance principles guided by the MCCG: -

- Principle A** Board Leadership and Effectiveness;
- Principle B** Effective Audit and Risk Management; and
- Principle C** Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

This CG statement should be read alongside with the Company's Corporate Governance Report 2023 ("CG Report"), which provides a detailed explanation of the application of corporate governance practices. The CG Report is available on the Bursa Securities' website at <https://www.bursamalaysia.com/>.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

PART 1: BOARD RESPONSIBILITIES

1. Board Leadership

The Board plays a critical role in providing strategic guidance, identifying and managing principal risks, overseeing development and control of the Group as well as safeguarding the best interests of our stakeholders. Guided by the Board Charter, it holds several key responsibilities that collectively shape the functioning and progress of the Group, including: -

- a. charting and setting the strategic corporate plan and direction of both the Group and its business units;
- b. planning, adopting and implementing strategic plans across the Group;
- c. overseeing business operations and evaluating such performance;
- d. reviewing and approving any new ventures, major acquisitions and disposals;
- e. identifying key risks and implementing effective internal controls and mitigation measures;
- f. assessing the adequacy and integrity of the Group's internal control system; and
- g. reviewing the performance, appointments, training and succession planning of Senior Management.

To facilitate the discharge of the Board's fiduciary duties, the Board has delegated specific responsibilities to various Board Committees, namely AC, NRC and RMC. The powers delegated to the respective Board Committees are detailed in their respective Terms of Reference, which have been published on the Company's website at <https://ir2.chartnexus.com/hextech/corporate-governance.php>.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART 1: BOARD RESPONSIBILITIES (CONT'D)

1. Board Leadership (Cont'd)

The Board is currently led by Tan Sri Muhammad Bin Ibrahim, the Independent Non-Executive Chairman, since his appointment on 3 January 2023, following the resignation of Datuk Iskandar Bin Sarudin, who stepped down on the same day. The Board Chairman is charged with the leadership of the Board, responsible for good corporate governance, leadership and overall effectiveness of the Board. He is not involved in the Group's daily business management and has no other relationship that could materially interfere his objective judgements and opinions.

To maintain a balance of control, power and authority, the Board Charter requires the Chairman and the Chief Executive Officer ("CEO") to have distinct functions within the leadership structure of the Group. The Board Chairman is primarily responsible for the leadership of the Board whereas the CEO is responsible for the daily management of the Group's operations and the implementation of the policies and strategies approved by the Board. Here in HexTech, the position of Board Chairman is assumed by Tan Sri Muhammad Bin Ibrahim, while the role of Group CEO is held by Dato' Ong Choo Meng and assisted by Mr. Choo Joon Keong, the Group Deputy CEO.

In line with the principles outlined in Practice 1.4 of the MCCG, the Board Chairman does not serve as a member of the AC, NRC and RMC in order to ensure a check and balance function and objective review of deliberations emanating from the Board Committees. However, the Board Chairman attended AC meetings as an invitee to provide additional insights. Such attendance did not compromise his objectivity or that of the Board when deliberating on the observations and recommendations put forth by the Board Committees as he did not participate in any deliberation or decision-making process. In addition, he was not involved in any managerial or operational matters, further highlighting his independence and objectivity in his role as the Board Chairman.

During the financial year, the Board is supported by two (2) suitably qualified and competent Company Secretaries, namely Ms. Wong Mee Kiat and Mr. Ng Heng Hooi, whom both are member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and possess vast knowledge and experience from being in public practices. The Company Secretaries play an advisory role to the Board, focusing to provide guidance on corporate governance matters and ensure compliance with all applicable laws, rules, procedures and regulatory requirements. They are also responsible to facilitate the meeting proceedings of all Board and Board Committee meetings as well as to ensure proper documentation and maintenance of the Company's statutory records and registers.

To ensure efficient conduct of Board and Board Committee meetings, such meetings are scheduled in advance, allowing the Board members to reserve their dates. Company Secretaries also ensure that all notices of meetings, along with the agenda, minutes of previous meetings and other relevant supporting documents are circulated to all Board members at least five (5) business days prior to the scheduled meetings. This timeline allows the Board members to have sufficient time to review and seek additional information or clarification, if necessary. Furthermore, to facilitate decision-making process and effective discharge of duties, all Directors have unrestricted access to information pertaining to the Group's business and affairs as well as to the Management, Company Secretaries, Internal Auditors and External Auditors.

As per the Board Charter, the Board is required to convene meetings at least once every quarter, with additional meetings called as and when necessary. During FYE 2023, the Board convened a total of seven (7) Board meetings. These meetings covered various area, including the Group's financial performance, investments, corporate development, strategic issues and business plan.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART 1: BOARD RESPONSIBILITIES (CONT'D)

1. Board Leadership (Cont'd)

The meeting attendance records of the Directors who held office during the financial year are set out below: -

| Name | Directorship | No. of meetings attended |
|---|--|--------------------------|
| Chairman | | |
| Tan Sri Muhammad Bin Ibrahim <i>(Appointed on 03/01/2023)</i> | Independent Non-Executive Chairman | 1/1 ^(a) |
| Datuk Iskandar Bin Sarudin <i>(Resigned on 03/01/2023)</i> | Independent Non-Executive Chairman | 6/6 ^(a) |
| Members | | |
| Ronald Khoo Boo Soon | Executive Director | 7/7 |
| Dato' Ong Chong Yi | Independent Non-Executive Director | 7/7 |
| Yeoh Chin Hoe | Independent Non-Executive Director | 7/7 |
| Sun Thian Thian <i>(Resigned on 01/03/2023)</i> | Independent Non-Executive Director | 3/3 ^(a) |
| Teh Li King <i>(Resigned on 03/01/2023)</i> | Non-Independent Non-Executive Director | 6/6 ^(a) |
| Choo Joon Keong <i>(Appointed on 03/01/2023)</i> | Executive Director | 1/1 ^(a) |
| Dato' Ong Choo Meng <i>(Appointed on 03/01/2023)</i> | Executive Director | 1/1 ^(a) |
| Sujatha Sekhar A/P Tan Sri B.C.Sekhar <i>(Appointed on 23/05/2023)</i> | Independent Non-Executive Director | - ^(b) |

* Notes: -

^(a) Reflects the number of meetings held during the time the Director held office.

^(b) Madam Sujatha Sekhar did not attend any Board meeting for the FYE 2023 as she was newly appointed to the Board on 23 May 2023.

In attendance at all meetings, the Company Secretaries play a crucial role in recording the Board's deliberations, including the issues discussed and decisions made. They also provide advice, updates and guidance to the Board on regulatory and company secretarial matters. Upon the conclusion of each meeting, the minutes are promptly circulated to all Directors for their review. The minutes will then be signed for confirmation in the subsequent meeting and documented in the minute books maintained by the Company Secretaries thereafter.

The Company Secretaries had and will diligently keep themselves abreast with the latest developments and new changes in company law, capital markets, corporate governance, regulatory environment and other relevant matters through continuous training and industry updates. Their commitment to ongoing learning ensures they remain well-informed and ensure compliance. The Board is satisfied with the performance and support provided by the Company Secretaries throughout FYE 2023. Their effective fulfilment of duties has greatly contributed to the smooth functioning and governance of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART 1: BOARD RESPONSIBILITIES (CONT'D)

2. Board Charter

The Board has formally adopted a Board Charter, which provides comprehensive guidance outlining the roles and responsibilities of the Board, Board Committees and individual Directors. It also specifies the matters that are reserved for the Board's deliberation and decision-making process.

The Board Charter is subject to periodical review to ensure consistency with the Board's strategic intent as well as relevant standards of corporate governance and latest applicable legislation and regulations. In this regard, the Board has reviewed and revised the Board Charter on 24 May 2022 to align it with the revised MCCG and latest MMLR. The latest Board Charter is published on the Company's website at <https://ir2.chartnexus.com/hextech/corporate-governance.php> for public's reference.

3. Business Ethics and Integrity

The Board is dedicated to uphold the highest standards of business ethics and comply with applicable laws, rules and regulations. As such, the Board has adopted several important policies. One of which includes the Code of Conduct and Ethics ("the Code"), which applies to all Directors and employees to enhance the standard of corporate governance and corporate behaviour throughout the Group.

Recognising the importance of a business environment free from bribery and/or corruption, the Board has also endorsed an Anti-Bribery and Corruption Policy ("ABC Policy"), which aligns with Section 17A of the Malaysian Anti-Corruption Commission Act 2009. This policy aims to foster compliance with relevant anti-bribery and corruption laws in Malaysia in line with the Group's zero-tolerance principle against any form of bribery and corruption. The ABC Policy emphasises on the conduct of fair and transparent commercial dealings at all times.

In order to support the implementation of the Code and ABC Policy, the Board has implemented a Whistle Blowing Policy. This policy provides guidelines for all Directors, employees and stakeholders of the Group to raise genuine concerns related to any suspected wrongdoings, business misconduct or malpractices without fear of retaliation or victimisation. Such report may be made to our AC Chairman, Mr. Yeoh Chin Hoe by letter or e-mail as stipulated in the Whistle Blowing Policy. The Whistle Blowing Policy protects all whistleblowers who report in good faith where the whistleblower's identity will be kept anonymous.

In line with the enhanced requirements in the MMLR of Bursa Malaysia, the Company has established the Director's Fit and Proper Policy to ensure that individuals of high calibre who possess the right character, experience, expertise, integrity, track record and qualifications are appointed on the Board of the Company and its subsidiaries. All candidates to be appointed to the Board of the Company, including those seeking for re-election/re-appointment, shall undergo a review of fit and properness by the Board in accordance with the Directors' Fit and Proper Policy.

Copies of the Code, ABC Policy, Whistle Blowing Policy and Directors' Fit and Proper Policy can be accessed on the Company's website at <https://ir2.chartnexus.com/hextech/corporate-governance.php>.

4. Sustainability Management

The Board acknowledges the significance of sustainable business practices in creating long-term value and building business resilience. Supported by the Management, the Board is ultimately responsible to oversee and govern the Group's sustainability initiatives and affairs. In this aspect, the Board provides oversight on the structural aspects of sustainability, including the development of strategies, priorities and targets. On the other hand, the Management is entrusted with the operational execution of material sustainability matters and the overall management of the Group's strategy and operations.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART 1: BOARD RESPONSIBILITIES (CONT'D)

4. Sustainability Management (Cont'd)

Additionally, the Board acknowledges the importance of regular engagement with stakeholders as it enables us to gain insights on their areas of concern in order to improve our sustainability management and reporting standards. The Board is also committed to communicate the Group's sustainability strategies, priorities, targets and performance to both internal and external stakeholders. To this end, the Group prepares a comprehensive Sustainability Statement as part of the Annual Report every year.

In FYE 2023, similar to previous years, the Board has identified the Group's material sustainability matters within the EESG pillars and developed the relevant sustainability strategies with reference to the SDGs, introduced by the United Nations Member States in 2015. Further details of the Group's sustainability management can be found in the Sustainability Statement within this Annual Report.

The Board remains vigilant in monitoring the industry trends and proactively addressing operational challenges in order to meet the stakeholders' expectations and generate long-term value for the shareholders and stakeholders. To ensure the Board stays well-informed on the evolving sustainability landscape, the Directors have actively participated in various sustainability-related training programs throughout the financial year. A comprehensive list of Directors' training initiatives can be found in Section 5 of this CG Statement.

The Board recognises the significance of conducting on-going assessment to monitor and evaluate its sustainability management performance on an on-going basis. Thus, the Board has introduced a "Board Evaluation Questionnaire Relating to Environmental, Social and Governance ("ESG") or Sustainability" as an additional performance evaluation criterion for the Board in FYE 2023. The said questionnaire includes several considerations surrounding sustainability management, including the understanding and performance of the Board members to oversee the implementation of sustainability strategies within ESG context, development of sustainability program, monitoring of sustainability targets as well as knowledge in relation to the sustainability risks and opportunities that the Group exposes to.

PART 2: BOARD COMPOSITION

5. Board Diversity and Objectivity

The current composition of the Board consists of seven (7) Directors, including four (4) Independent Non-Executive Directors and three (3) Executive Directors, as follows: -

| Name | Directorship |
|--|------------------------------------|
| Tan Sri Muhammad Bin Ibrahim (Appointed on 03/01/2023) | Independent Non-Executive Chairman |
| Dato' Ong Choo Meng (Appointed on 03/01/2023) | Executive Director |
| Choo Joon Keong (Appointed on 03/01/2023) | Executive Director |
| Ronald Khoo Boo Soon | Executive Director |
| Dato' Ong Chong Yi | Independent Non-Executive Director |
| Yeoh Chin Hoe | Independent Non-Executive Director |
| Sujatha Sekhar A/P Tan Sri B.C.Sekhar (Appointed on 23/05/2023) | Independent Non-Executive Director |

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART 2: BOARD COMPOSITION (CONT'D)

5. Board Diversity and Objectivity (Cont'd)

The composition above aligns with the requirements outlined in Paragraph 15.02 of the MMLR and Practice 5.2 of MCCG, where more than half of the Board is made up by Independent Directors. However, the Board has yet to meet the best practice recommendation of having at least 30% women directors on the Board. The Board has also yet to develop any gender diversity policy as the Board is of the opinion that all appointments shall be primarily based on merits and are not driven by any gender consideration. At present, there is only 14.3% of women representation on the Board. Nevertheless, the Board is actively exploring suitable female candidates who possess the necessary skills, expertise and value to contribute as Board members.

To further enhance the Board independence, the Board Charter requires Independent Directors to serve a cumulative term limit of nine (9) years, as recommended by Practice 5.3 of MCCG. In the event if the Board wishes to retain an Independent Director beyond this limit, justification and annual shareholders' approval through a two-tier voting process are required. As of 31 March 2023, none of Independent Directors have served the Company for more than nine (9) years.

In HexTech, the NRC is responsible for the regular reviews of the structure, size and composition of the Board, as well as making recommendations to the Board with regard to any necessary changes to enhance Board effectiveness and ensure regulatory compliance. To ensure the objectivity of the NRC in promoting Board effectiveness as a whole, the NRC solely consists of Independent Non-Executive Directors with composition as follow: -

| Position | Name | Directorship |
|----------|---|------------------------------------|
| Chairman | Dato' Ong Chong Yi <i>(Redesignated on 20/09/2022)</i> | Independent Non-Executive Director |
| Member | Yeoh Chin Hoe | Independent Non-Executive Director |
| Member | Sujatha Sekhar A/P Tan Sri B.C.Sekhar <i>(Appointed on 23/05/2023)</i> | Independent Non-Executive Director |

The roles and responsibilities of the NRC are detailed in its Terms of Reference, which can be accessed on the Company's website at <https://ir2.chartnexus.com/hextech/corporate-governance.php>. Guided by the Terms of Reference, the NRC has discharged its duties with the following activities undertaken during FYE 2023: -

- Reviewed the composition and effectiveness of the Board and Board Committees;
- Reviewed the required mix of skills, experience and contribution of each individual Director;
- Assessed and reviewed the independence of Independent Directors;
- Reviewed the tenure of each Director and recommended for the relevant re-election to the Board to seek shareholders' approval at the forthcoming Annual General Meeting ("AGM");
- Evaluated the performance and effectiveness of the Board, Board Committees and individual Directors;
- Reviewed the training programmes attended by the Directors and assessed such training need for the FYE 2023;
- Reviewed Directors' Fit and Proper Policy and recommended the same for the Board's approval;
- Evaluated and recommended the appointment of new Directors for the Board's approval; and
- Reviewed and recommended Directors' remuneration package for the FYE 2023.

Recognising the benefits of fostering diversity in the Board composition for comprehensive and insightful deliberations for the sustainable growth of the Group, the Board has adopted the Directors' Fit and Proper Policy on 24 May 2022. This policy outlines the formal criteria for the appointment and re-appointment of Directors in compliance with Paragraph 15.01A of the MMLR.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART 2: BOARD COMPOSITION (CONT'D)

5. Board Diversity and Objectivity (Cont'd)

As stipulated by the Directors' Fit and Proper Policy, the NRC has considered the following criteria and factors when evaluating the appointment of new Directors during FYE 2023, namely Tan Sri Muhammad Bin Ibrahim, Dato' Ong Choo Meng, Mr. Choo Joon Keong, Ms. Sun Thian Thian and Madam Sujatha Sekhar A/P Tan Sri B.C.Sekhar: -

- character and integrity including probity, personal integrity, financial integrity and reputation;
- experience and competence including qualification, skills, expertise and experience; and
- time and commitment.

This is to ensure that there is a diverse range of professional knowledge, skills, experience and understanding of the business, the markets and the industry in which the Group operates in order to support the Group's business operations.

During the FYE 2023, Ms. Sun Thian Thian (Resigned on 3 January 2023), Tan Sri Muhammad Bin Ibrahim and Madam Sujatha Sekhar A/P Tan Sri B.C.Sekhar were appointed as Independent Directors of HexTech on 25 August 2022, 3 January 2023 and 23 May 2023 respectively, based on recommendations from external independent sources.

The Fit and Proper Policy is also adopted for the annual review on Board composition and tenure of Directors. On 23 May 2023, the NRC has reviewed and is satisfied that the current Board composition is effective by having the right mix of skills, expertise and relevant business acumens to support the Group's growth. Pursuant to Article 131.1 of the Company's Constitution, one-third (1/3) of the Directors are required to retire from office at each AGM and all Directors shall retire at least once every three (3) years. For the FYE 2023, the NRC has notified the Board that Mr. Yeoh Chin Hoe shall retire from office this year and, being eligible, he has offered himself for re-election.

After a thorough review, the NRC was satisfied that Mr. Yeoh Chin Hoe has fulfilled the required fit and proper criteria and possesses the appropriate financial integrity and literacy to lead the AC. As such, the NRC has recommended his re-election to the Board for submission at the forthcoming eighteenth (18th) AGM.

As per Paragraph 8.27(2) of the MMLR, information pertaining to the re-election and appointment of the Directors are accessible in the Statement Accompanying Notice of AGM, annexed as part of the Company's Annual Report. Shareholders are hereby provided with further information and directed to the relevant sections, such as Profile of Directors, to facilitate them in making informed decisions when exercising their voting rights during the AGM.

To further promote the Board's effectiveness, the Directors have attended various training programs to enhance their skills and knowledge. During FYE 2023, the Directors have attended the following training programmes: -

| Director | Training Programs/Seminars/Conferences Attended | Date |
|------------------------------|---|---|
| Tan Sri Muhammad Bin Ibrahim | <ul style="list-style-type: none"> • 84th Islamic Banking and Finance Discussion Series • ESG Consideration for Board Management • Bengkel Rayuan Persaingan • 10th ASEAN International Conference on Islamic Finance 2022 (10th AICIF 2022) • 12th Malaysia-China Chamber Entrepreneurs Conference (MCEC): Interest Rate and Business, Some Perspectives | 23/09/2022 28/09/2022 26/11/2022 06 – 08/12/2022 15/12/2022 |
| Dato' Ong Choo Meng | <ul style="list-style-type: none"> • How to Scale Up Fast with Vijay Tirathrai, MD of Techstars • Leveraging on Tax Corporate Governance Framework to Strengthen ESG Program | 27/07/2022 16/11/2022 |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART 2: BOARD COMPOSITION (CONT'D)

5. Board Diversity and Objectivity (Cont'd)

| Director | Training Programs/Seminars/Conferences Attended | Date |
|--|---|--|
| Choo Joon Keong | <ul style="list-style-type: none"> Anti-Bribery and Corruption | 16/03/2023 |
| Ronald Khoo Boo Soon | <ul style="list-style-type: none"> Anti-Bribery and Corruption | 16/03/2023 |
| Dato' Ong Chong Yi | <ul style="list-style-type: none"> 2022 China Entrepreneurs Going Global Risk Conference Asean Plus Three Forum on Industrial Chain and Supply Chain Cooperation & Taihu East Asian Entrepreneurs Forum Malaysia-China Digital Economy Forum ECERDC Investment Forum | 28/07/2022 29/07/2022 29/09/2022 24/11/2022 |
| Yeoh Chin Hoe | <ul style="list-style-type: none"> 2022 Board and Audit Committee Priorities Accountants & Their Role to Reduce Carbon Emissions Key Amendments to Listing Requirements 2022 Practical Updates on Financial Standards, MFRSs on MFRS 9, 15 and 16 | 31/05/2022 28/06/2022 18/10/2022 19/10/2022 |
| Sujatha Sekhar A/P Tan Sri B.C.Sekhar | <ul style="list-style-type: none"> Webcast on Building a Board – Worthy Executive Team Malaysia HR Forum – Prevention & Elimination of Forced Labour AMCHAM – U.S. Customs & Border Protection Brief – on Forced Labour Issues MIA Public Sector Internal Audit Conference 2022 MICG – The Law Behind Corporate Governance by Thakurdas Naraindas Applying the Principles of a Circular Economy MICG & IIA Malaysia Governance in Audit Conference IRGCE Conference 2022 – Breaking Boundaries: Game Changing Initiatives ICDM International Directors Summit The Royal Award for Islamic Finance 2022 Opening Ceremony for IIA Malaysia National Conference 2022 ESG Evolve 2022 “Driving Catalytic Change for Business Sustainability” MARGMA meeting with the ILO evaluator of the Sustainable supply chains to build forward better (SSCBFB) project New Director’s Induction Programme Board Briefing – Key Points for Boards and Senior Management on Task Force on Climate Related Financial Disclosures Corporate Briefing on Sustainability & Environmental, Social & Governance Bursa Malaysia’s Mandatory Accreditation Programme | 12/05/2022 17/05/2022 01/06/2022 25/08/2022 26/08/2022 01/09/2022 06/09/2022 06 – 08/09/2022 26 – 28/09/2022 4/10/2022 19/10/2022 06/12/2022 07/12/2022 22/12/2022 22/12/2022 22/12/2022 07 – 08/03/2023 |

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONTINUED)**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)****PART 2: BOARD COMPOSITION (CONT'D)****6. Overall Effectiveness of The Board**

To assess the effectiveness of the Board as a whole, Board Committees, and the contribution of each Director, an internally facilitated Board assessment was conducted. The evaluation involved self-assessments, where the Directors evaluated themselves, the Board as a whole and the performance of each Board Committee. The assessment criteria encompassed various factors, including fit and proper evaluation, contribution and performance as well as calibre and personality.

The assessment also considered the independence of an Independent Director, taking into account their relationship with the Group and any involvement of significant transaction with the Group. This ensures that the Independent Non-Executive Directors remain independent of management and free from any business or other relationship that could compromise their ability to exercise their independence and business judgement in best interests of the Group.

Based on the assessment result for the FYE 2023, both the Board and the NRC are satisfied with the current size and composition of the Board and Board Committees. The composition was deemed to be well balanced, comprising individuals who possess high-calibre attributes, as well as the requisite skills, qualifications, experience and credibility.

PART 3: REMUNERATION**7. Remuneration Policy**

The NRC is also entrusted with the authority to establish an appropriate remuneration framework that aligns with the Group's business strategies and long-term objectives, which includes reviewing and recommending the remuneration packages for Directors and Senior Management. Although a written remuneration policy specifically for the Directors and Senior Management has yet to be in place by the Board, the NRC is guided by its Terms of Reference to determine such remuneration packages.

When determining the remuneration of Directors and Senior Management, the NRC considers factors such as their roles, commitments, industry practices, demands and the Group's performance. The NRC is also responsible for reviewing the Directors' fees and benefits prior to recommending them to the Board for shareholders' approval at the upcoming AGM.

8. Directors and Key Senior Management's Remuneration

The details of the remuneration of the Directors for the FYE 2023 are disclosed as follows: -

| | Company | | Group | | | |
|--|------------------|-----------------------|--------------------|-------------------|-----------------------|---------------------------------|
| | Fees (RM'000) | Allowance (RM'000) | Salary (RM'000) | Bonus (RM'000) | Allowance (RM'000) | Other Emoluments (RM'000) |
| Tan Sri Muhammad Bin Ibrahim <i>(Appointed on 03/01/2023)</i> | 8.80 | 1.25 | - | - | - | - |
| Dato' Ong Choo Meng <i>(Appointed on 03/01/2023)</i> | - | - | 9.00 | - | - | 1.37 |
| Choo Joon Keong <i>(Appointed on 03/01/2023)</i> | - | - | 133.55 | - | - | 16.77 |

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONTINUED)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART 3: REMUNERATION (CONT'D)

8. Directors and Key Senior Management's Remuneration (Cont'd)

| | Company | | Group | | | |
|---|------------------|-----------------------|--------------------|-------------------|-----------------------|---------------------------------|
| | Fees (RM'000) | Allowance (RM'000) | Salary (RM'000) | Bonus (RM'000) | Allowance (RM'000) | Other Emoluments (RM'000) |
| Ronald Khoo Boo Soon | - | - | 396.00 | 162.50 | - | 80.43 |
| Dato' Ong Chong Yi | 36.00 | 7.25 | - | - | - | - |
| Yeoh Chin Hoe | 36.00 | 9.75 | - | - | - | - |
| Datuk Iskandar Bin Sarudin <i>(Resigned on 03/01/2023)</i> | 27.29 | 7.50 | - | - | - | - |
| Sun Thian Thian <i>(Resigned on 01/03/2023)</i> | 18.10 | 4.00 | - | - | - | - |
| Teh Li King <i>(Resigned on 03/01/2023)</i> | 27.29 | 2.00 | - | - | - | - |
| Sujatha Sekhar A/P Tan Sri B.C.Sekhar <i>(Appointed on 23/05/2023)</i> | - | - | - | - | - | - |

In regards to Key Senior Management ("KSM"), the Company considers the remuneration of the Senior Management to be sensitive and confidential in view of the competitive market dynamics and the potential impact on employee retentions. As a result, the Company does not intend to adopt the recommendation to disclose the detailed remuneration of each member of Senior Management in bands of RM50,000 on a named basis in the CG Report. Nonetheless, the Company ensures that the remuneration package for both the Directors and its employees, including Senior Management, is benchmarked with industry practices to maintain competitiveness. Annual increments and bonus payouts are based on performance criteria in order to reward, motivate and retain the right talent in the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONTINUED)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

PART 1: AUDIT COMMITTEE

9. Effective and Independent Audit Committee

The current AC is solely made up by three (3) Independent Non-Executive Directors, as follows: -

| Position | Name | Directorship |
|----------|---|------------------------------------|
| Chairman | Yeoh Chin Hoe | Independent Non-Executive Director |
| Member | Dato' Ong Chong Yi | Independent Non-Executive Director |
| Member | Sujatha Sekhar A/P Tan Sri B.C.Sekhar <i>(Appointed on 23/05/2023)</i> | Independent Non-Executive Director |

In line with the best practice outlined by the MCCG, the Chairman of the Board and the Chairman of the AC are held by separate individuals. The AC is chaired by Mr. Yeoh Chin Hoe, who is a Chartered Accountant of MIA, a FCCA, a fellow member of the Institute of Chartered Secretaries and Administrators (UK), and a member of the Malaysian Institute of Certified Public Accountants.

While only one-third (1/3) of the AC members are professionally qualified by accounting bodies, the AC as a whole is financially literate and possesses with the necessary skills and knowledge to understand the Group's business and oversee financial reporting and auditing matters. The AC members also undergo continuous professional development through training programmes and updates provided by the Management and External Auditors. This ensures that the AC members stay abreast with the latest developments in accounting and auditing standards, practices, and rules.

To maintain the utmost independence of the AC, the Terms of Reference of the AC requires a cooling-off period of at least three (3) years for former key audit partners who were part of the engagement team involved in making significant decisions or judgments regarding the audit of the Group's financial statements before being appointed as a member of the AC. To-date, none of the current AC member is a former key audit partner involved in the auditing of the Group.

The AC's roles and responsibilities are clearly outlined in its Terms of Reference, and one of which is to review the suitability, objectivity and independence of External Auditors. On an annual basis, the AC conducts a review and assessment of the External Auditors' independence where the External Auditors provide the AC with an assurance in confirming their independence throughout the audit engagement, in compliance with relevant professional and regulatory requirements. During the FYE 2023, they also provided a confirmation of their continued registration with the Audit Oversight Board, further supporting their independence.

The AC is also responsible for reviewing the terms of engagement for services provided by the External Auditors before seeking approval from the Board. The effectiveness and performance of the External Auditors are evaluated and reviewed by the AC on an annual basis. During FYE 2023, the fees paid/payable to the external auditors for the provision of statutory audit and other audit services are as follows: -

| Fees paid/payable to the External Auditors | Company (RM) | Group (RM) |
|--|--------------|------------|
| Statutory audit | 55,000 | 171,800 |
| Non-audit service | 5,000 | 5,000 |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONTINUED)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

PART 1: AUDIT COMMITTEE (CONT'D)

9. Effective and Independent Audit Committee (Cont'd)

For FYE 2023, the AC had obtained shareholders' approval for their re-appointment at the 17th Annual General Meeting (AGM) held on 25 August 2022.

Based on the assessment conducted to evaluate the External Auditor on 23 May 2023, the AC is satisfied with the suitability and independence of the External Auditors, Messrs Crowe Malaysia PLT and has recommended their re-appointment for FYE 2024. This recommendation has been submitted to the Board for consideration and will be subsequently proposed to shareholders for their approval at the forthcoming 18th AGM.

The AC's thorough assessment and recommendation of the re-appointment of the External Auditors reflect their ongoing commitment to ensuring the independence, suitability, and effectiveness of the audit function within the Group.

PART 2: RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

10. Effective Risk Management and Internal Control Framework

The Board acknowledges the importance of having a robust system of internal control for the Group, including risk assessment, in order to safeguard shareholders' investments and protect the Group's assets. The Group has integrated risk management and internal controls into its management system as an essential component. However, given that no risk management and internal control system can completely eliminate all the risks, the Group's system is designed to mitigate and manage these risks in line with the Group's business objectives instead.

Supported by the AC and RMC, the Board reaffirms its overall responsibility for establishing a robust risk management framework and internal control system. The Management, on the other hand, is tasked with the continuous identification, evaluation, management and reporting of the major risks that impact the Group's strategic and business plans.

The Board also implemented several internal controls across the Group to ensure a smooth business operation in line with sound governance. The key internal controls in place include clear organisational structure and reporting system, proper Standard Operating Procedures ("SOPs"), review of financial results prior to approval, as well as the conduct of external and internal audits.

For a detailed understanding, a comprehensive overview of the risk management and internal control practices implemented within the Group can be found in the Statement of Risk Management and Internal Control, which is included in this Annual Report.

11. Internal Audit Function

The Board is dedicated to maintain a strong system of internal controls that promote transparency, accountability and the overall integrity of the Group's operations. To fulfil this commitment, the Board has outsourced the Company's internal audit function to an independent professional firm, Eco Asia Governance Advisory Sdn. Bhd. ("Internal Auditor") to conduct independent assessments of the adequacy and operating effectiveness of the Group's internal control system. The Internal Auditor reports directly to the AC, providing them with findings from the conducted audits and relevant recommendations for their consideration and implementation.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONTINUED)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

PART 2: RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D)

11. Internal Audit Function (Cont'd)

The Internal Auditor is led by Mr. Woon Soon Fai, the Executive Director of Eco Asia Governance Advisory Sdn. Bhd. He holds professional qualifications as a FCCA, a member of the MIA and an associate member of the Institute of Internal Auditors ("IIA") Malaysia. During FYE 2023, he was supported by one (1) HOD, one (1) Senior Consultant and one (1) Associate Consultant to perform the internal audit engagement in accordance with the duly approved audit plans. The Internal Auditor is free from any relationships or conflicts of interest that could compromise their ability to provide unbiased assessments. The internal audit review adheres to globally recognised frameworks, particularly the International Professional Practice Framework ("IPPF").

To ensure a smooth conduct of internal audit review, the AC has full and unrestricted access to all relevant information and resources, ensuring that they obtain the necessary information and resources to conduct the internal audit engagement appropriately. Upon conclusion of internal audit review, the Internal Auditor presents the internal audit report to the AC at the schooled meetings, covering the audit findings identified together with the relevant root-cause analysis and corresponding recommendations for operational improvements. Management is then tasked to implement the corrective action plan within the stipulated timeframe and follow-up review will be subsequently conducted by Internal Auditor to ensure that necessary controls are in place.

Further details of internal audit function are set out in the AC Report and Statement of Risk Management and Internal Control in this Annual Report.

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

PART 1: ENGAGEMENT WITH STAKEHOLDERS

12. Communication between the Company and Stakeholders

The Board recognises the importance of engaging with our stakeholders and maintaining transparent and constructive relationships. For FYE 2023, the Company employed various communication channels and platforms to provide information to stakeholders effectively, including:

- (a) Company's website;
- (b) Announcements to Bursa Securities;
- (c) Email;
- (d) Annual Report; and
- (e) AGM and Extraordinary General Meeting ("EGM").

By utilising these communication channels and platforms, the Company ensures that stakeholders have access to the necessary information, fostering transparency, engagement and dialogue between the Company and its stakeholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONTINUED)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

PART 2: CONDUCT OF GENERAL MEETINGS

13. Effective General Meetings

Both the AGM and EGM serve as the principal platforms for shareholders to receive updates on the Group's performance, raise queries and vote on important matters. These meetings promote effective communication, transparency and a sense of ownership and engagement among shareholders.

To facilitate informed decision-making, notices of general meetings are sent out to shareholders more than twenty-eight (28) days prior to the respective meeting dates. This allows shareholders to have sufficient time to make necessary arrangements and peruse the meeting materials, including the agenda, resolutions, financial reports and any other relevant information.

During FYE 2023, both of the 17th AGM and EGM were conducted virtually via secured online platforms. All Directors, including External Auditors, Company Secretary, Independent Advisor and Principal Advisor by invitation, had showed their commitments by attending the said meetings to address shareholders' queries, as needed. Although virtual meetings were conducted, shareholders were still provided with sufficient opportunity to raise their questions and concerns by submitting real-time typed texts during the Question and Answer ("Q&A") session during the AGM and EGM.

Both of the AGM and EGM were facilitated by the appointed poll administrator, Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor"). They have supported the said AGM and EGM by with good cyber hygiene practices to ensure that all shareholders' personal data and privacy were well protected. Tricor has implemented an Information Technology ("IT") Policy, Information Security Policy, endpoint controls, as well as data classification as their cyber hygiene control. In addition to this, the meeting platform provided, TIIH Online, is hosted via a secure cloud platform under a data centre certified by ISO 27001.

Independent scrutineer was also engaged to verify poll results for transparency and fairness in both the AGM and EGM. Upon conclusion of the meetings, the minutes have been published on the Company's website at <https://ir2.chartnexus.com/hextech/general-meeting.php> within thirty (30) business days, available for public viewing and have a timely recap on the meeting proceedings.

COMPLIANCE STATEMENT

Save as disclosed above, the Board affirms its commitment to achieve the highest standards by adhering to the principles and best practices outlined in the MCCG, along with relevant laws and regulations. The Board will endeavour to improve and enhance the procedures from time to time.

The CG Statement was approved by the Board on 20 July 2023.

AUDIT COMMITTEE REPORT

Pursuant to the Paragraph 15.15 of the MMLR, the Board is delighted to present the AC report for FYE 2023, detailing the insights as to the manner in which the AC has discharged their duties and responsibilities during FYE 2023.

A. COMPOSITION AND MEETINGS

The AC is primarily entrusted to support the Board in fulfilling its statutory obligations and responsibilities pertaining to the Group's accounting and reporting practices. The AC is also accountable for the adequate and effective internal control measures in place across the Group.

In compliance with Paragraph 15.09 of the MMLR and Practice 9.4 of the Malaysian Code on Corporate Governance ("MCCG"), the AC is constituted solely of Independent Non-Executive Directors. The current members of the AC together with their respective meeting attendance during FYE 2023 are as follows: -

| Name | Designation | No. of Meetings Attended |
|---|--|--------------------------|
| Chairman Yeoh Chin Hoe | Independent Non-Executive Director | 6/6 |
| Member Dato' Ong Chong Yi Sujatha Sekhar A/P Tan Sri B.C.Sekhar (Appointed on 23/05/2023) | Independent Non-Executive Director Independent Non-Executive Director | 6/6 - * |

* *Madam Sujatha Sekhar did not attend any AC meeting for the FYE 2023 as she was newly appointed to the AC on 23 May 2023.*

As per Paragraph 15.09 (1)(c) of the MMLR and Practice 9.5 of the MCCG, the AC is led by Mr. Yeoh Chin Hoe, who is a Chartered Accountant of MIA, a FCCA, a fellow member of the Institute of Chartered Secretaries and Administrators (UK), and a member of the Malaysian Institute of Certified Public Accountants.

The AC is guided by its Terms of Reference ("TOR") which covers its composition, objectives, responsibilities, authorities and meeting proceedings. The said TOR can be accessed on the Company's website at <https://ir2.chartnexus.com/hextech/corporate-governance.php>.

As per the TOR, the AC shall convene at least four (4) meetings in a year. In FYE 2023, the AC had convened six (6) AC meetings and invited our financial controller, Mr. Tan Eng Kiong, to all the said meetings to provide additional information on operations, financials, and audit-related matters, thereby facilitating the smooth conduct of the meetings. Representatives of the External Auditors, Internal Auditors and KSM, when necessary, were also invited to the AC meetings to deliberate on matters within their respective areas of expertise.

Prior to the scheduled meetings, the Company Secretary would circulate the meeting agenda and materials to all AC members to ensure that they have sufficient time to review and peruse the relevant matters to facilitate their deliberation and decision-making process during the meetings.

Furthermore, the Company Secretary has also attended all the AC meetings to record and prepare the meeting minutes. The meeting minutes were then tabled at the subsequent AC meeting for confirmation and presented to the Board for notation. These minutes were properly documented and maintained in accordance with applicable regulations and governance practices.

AUDIT COMMITTEE REPORT

(CONTINUED)

B. SUMMARY OF ACTIVITIES OF THE AC

During FYE 2023, the AC undertook various activities in fulfilling its duties and responsibilities. The summary of activities undertaken by the AC encompassed the following areas: -

- a) Reviewed the Group's Risk Management Register, which contains the risks identified and assessed by the RMC;
- b) Reviewed the adequacy of the audit plans for FYE 2023 proposed by both the Internal and External Auditors and approved the audit plans for execution;
- c) Reviewed the Group's quarterly financial results and annual audited financial statements, and presented to the Board for approval before releasing to Bursa Securities;
- d) Reviewed the External Auditors' reports in relation to their financial audit and resolved the areas of concern and accounting issues highlighted from the audit conducted;
- e) Conducted two (2) private meetings with the External Auditors on 23 May 2022 and 13 July 2022 respectively, without the presence of the Executive Director and Management, to discuss audit procedures and key audit issues in an objective manner;
- f) Reviewed the following matters relating to management judgements and estimates with the External Auditors: -
 - i. Material uncertainty on going concern
 - ii. Impairment of property, plant and equipment
 - iii. Impairment of account receivables
- g) Assessed the performance of the External Auditor and discussed their re-appointment;
- h) Assessed and recommended on the audit fees payable to the Internal and External Auditors for the Board's approval;
- i) Reviewed and discussed on the internal audit report, containing audit findings, recommendations for improvement and actions to be taken by Management to address such findings;
- j) Discussed and reviewed the revised Anti-Bribery & Corruption Policy and recommended the same for the Board's approval;
- k) Attended various training programmes for their continuous professional development. The full list of trainings attended is set out in the Corporate Governance Overview Statement in this Annual Report;
- l) Reviewed the AC Report and Statement on Risk Management and Internal Control prior to submission for the Board's approval for inclusion in the Annual Report 2023;
- m) Reviewed the draft circular to shareholders for the proposed renewal of shareholders' mandate for existing recurrent related party transactions ("RRPT") and the share buy-back statement with the proposed renewal of share buy-back authority, and recommendation of the same for the Board's approval;
- n) Discussed on the revised review procedure for RRPT and recommended for the Board's approval;

AUDIT COMMITTEE REPORT (CONTINUED)

B. SUMMARY OF ACTIVITIES OF THE AC (CONT'D)

- o) Reviewed the related party transactions (“RPT”) and RRPT entered into by the Group and assessed any potential conflict of interest situations that may arise within the Group in accordance with the Company’s RRPT Policies and Procedures as follows: -
- RRPT for amount exceeding RM1,000,000 on annual basis or estimated to exceed RM1,000,000 on annual basis are subject to review and approval by the Board before entering such transactions;
 - RRPT below the threshold of RM1,000,000 on annual basis will be reviewed and approved by the Executive Directors and/or Senior Management, provided that these personnel have no interest in the transaction; and
 - Any Director who has an interest in any RPT shall abstain from Board deliberations and voting on the matter. The Director shall ensure that he/she and any person(s) connected to him/her are also abstain from voting on the resolution before them.

During FYE 2023, the AC has ensured that all RPT and RRPT transactions were conducted on an arm’s length basis and on normal business terms with adequate disclosure to Bursa Securities.

C. SUMMARY OF INTERNAL AUDIT FUNCTIONS AND ACTIVITIES

The Group has outsourced its internal audit function to Eco Asia Governance Advisory Sdn. Bhd. to assist the AC in providing objective and independent views on the Group’s internal controls and risk management system.

In order to uphold the highest level of independence and integrity, they are authorised to report directly to the AC. The Internal Auditor performs the audit in accordance with the International Professional Practices Framework (“IPPF”) for Internal Auditing issued by the Institute of Internal Auditors (“IIA”).

During FYE 2023, the Internal Auditor has executed two (2) internal audit reviews in the following areas: -

| Internal Audit Review | Coverage Period |
|----------------------------------|-----------------|
| Authorisation Control Management | Quarter 3 |
| Management of Information System | Quarter 4 |

After the conduct of review, the Internal Auditor presented the internal audit report with audit findings, together with the root-cause analysis and corresponding recommendations to the AC for its review and deliberation during the scheduled meetings. Based on the internal audit review performed in FYE 2023, we are pleased to report that there were no significant weaknesses that would result in material losses, contingencies, or uncertainties requiring separate disclosure in this Annual Report. Further insights of our internal audit function are detailed in our Statement on the Risk Management and Internal Control in this Annual Report.

For FYE 2023, the Group incurred a professional fee of RM26,000 for the services provided by the internal audit function.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board is pleased to present the following Statement on Risk Management and Internal Control (“Statement”), which outlines the scope and characteristics of the Group’s risk management and internal control system for FYE 2023. This Statement is prepared in accordance with Paragraph 15.26(b) of the MMLR and is guided by the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers” (“the Guidelines”), as well as Principle B of the MCCG.

BOARD’S RESPONSIBILITY

At HexTech, the Board recognises that an effective risk management and internal control system is vital to the Group’s success. Hence, the Board is committed to establishing and maintaining a sound risk management and internal control system across the Group. Regular reviews are conducted to ensure the adequacy and effectiveness of the Group’s risk management and internal control system, which is aimed at safeguarding shareholders’ investments, stakeholders’ interests and the Group’s assets.

Due to inherent limitations in any risk management and internal control system, the Group’s system is designed to minimise and manage risks rather than eliminate all risks that may impede the achievement of the Group’s business objectives. Thus, the system can only provide reasonable, but not absolute, assurance against material misstatement of financial information, loss, fraud, or unforeseeable circumstances.

The Group’s risk management and internal control system is supported by the Company’s AC and RMC. The Board has integrated an on-going risk management process into the Group’s business operations. In addition, periodic systematic reviews are also undertaken to monitor the overall effectiveness of the said system, regulatory compliance as well as the adaptation of the system to changes in the business environment.

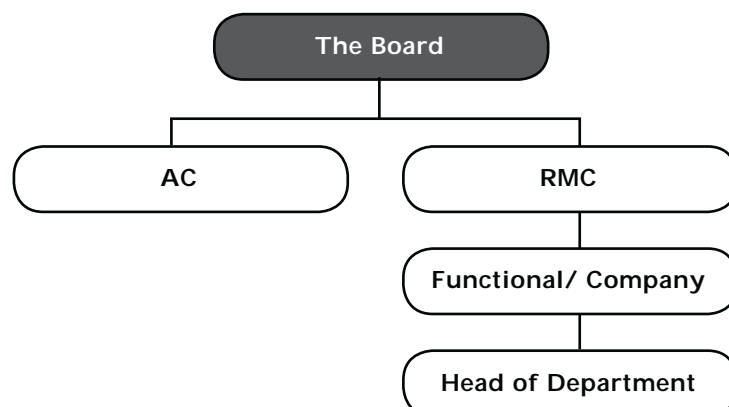
The Board believes that the Group’s risk management and internal control system in place for the period under review and up to the approval of this Annual Report operates adequately and effectively, in all material aspects, subject to regular reviews.

KEY FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Group’s risk management and internal control system is designed to proactively identify and manage risks, with the objective to protect the Group’s assets, ensure operational efficiency, and maintain the trust of our stakeholders. The following are the key elements of the Group’s established risk management and internal control system, put in place to facilitate the proper conduct of the Group’s businesses: -

1. RISK MANAGEMENT SYSTEM

While the Board is ultimately responsible for the Group’s overall risk management, the AC and RMC are delegated with the responsibility to support the Board by overseeing the effectiveness of the Group’s internal control and risk management respectively.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(CONTINUED)

KEY FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

1. RISK MANAGEMENT SYSTEM (CONT'D)

Particularly, the RMC is entrusted to monitor the overall adequacy of the Group's risk management function across various business operations. Its current composition together with respective members' meetings attendance are as follows: -

| Name | Designation | No. of Meetings Attended |
|---|--|--------------------------|
| Chairman Ronald Khoo Boo Soon (Redesignated on 20/09/2022) | Executive Director | 1/1 |
| Member Dato' Ong Chong Yi Sujatha Sekhar A/P Tan Sri B.C.Sekhar (Appointed on 23/05/2023) | Independent Non-Executive Director Independent Non-Executive Director | 2/2 -* |

* Madam Sujatha Sekhar did not attend any RMC meeting for the FYE 2023 as she was newly appointed to the RMC on 23 May 2023.

The Group has adopted a decentralised approach for the Group's risk management through our various Head of Departments ("HODs"). They are responsible to identify, evaluate and manage the significant risks at their respective areas of supervision and control. The HODs are also accountable to assess the existing and any emerging risks within their respective department and to determine the most appropriate controls for mitigation. They shall report to the RMC and thereby update the Group's risk register accordingly. This decentralised approach ensures that the Group's risk management is integrated into our day-to-day operations, with each department taking ownership of the risks within their purview.

The Group's five-step risk management plan is illustrated as follows: -



Risk Management Policy serves as an official record of the Group's intentions, objectives, and commitments in managing risk. As we operate in an evolving business environment, the Board acknowledges the importance of striking the right balance between risks and opportunities to generate satisfactory returns for our shareholders while protecting their investment and interests.

To improve our strategic business plan, we engage with both internal and external stakeholders to understand their needs and expectations. By engaging with them, relevant risks shall be identified and documented into the Group's Risk Register and Management Plan, including detailed information on their likelihood and impact of the identified risks.

Within our risk management framework, we have four (4) options to address the identified risks, including avoid, reduce, share, or accept the risks. Depending on the nature, likelihood, and impact of the risks, the Group shall select the most suitable risk mitigation measure to minimise the Group's risk exposure within our risk tolerance level.

In order to maintain an effective risk management system, both the Risk Management Policy and the Risk Register and Management Plan are subject to regular monitoring and review. This shall ensure that they remain current and relevant with the latest business and regulatory environment. When reviewing these documents, the fit-for-purpose consideration is prioritised, specifically in terms of their adequacy, suitability and effectiveness in managing the identified risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

KEY FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

2. INTERNAL CONTROL SYSTEM

Internal controls play a crucial role in supporting the effective functioning of risk management system. Hence, the Group places significant emphasis on internal controls to promote the Group's overall operational efficiency and uphold sound corporate governance across various business functions.

In HexTech, the Management is empowered to monitor the implementation of the Group's internal control system and shall promptly report any significant internal control deficiencies to the attention of the AC or the Board.

The key salient features of the Group's internal control system include: -

- (i) A well-defined organisational structure, which clearly defined lines of responsibility and delegated authority;
- (ii) Formalised and documented internal SOP to guide and support the Group's daily business operations;
- (iii) Effective reporting system is in place to ensure timely financial reporting for Management's review and decision making;
- (iv) Quarterly review of financial results by the AC and subsequent presentation to the Board for approval;
- (v) Review of both internal and external audit findings by the AC to deliberate on the identified issues and/or weaknesses and make recommendations to the Board supported by the necessary actions to address these findings; and
- (vi) Active involvement of the Executive Directors in running the Group's daily business operations to ensure the proper business conduct and regularly update the same to the Board on the operational aspects of the Group.

INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to an independent professional firm, Eco Asia Governance Advisory Sdn. Bhd., to assist both the Board and AC through the independent assessment on the adequacy and operating effectiveness of the Group's risk management and internal control system.

The Internal Auditor is led by Mr. Woon Soon Fai, a Chartered Accountant Malaysia (CA(M)) and a member of the Malaysian Institute of Accountants ("MIA"). He is also a Fellow member of the Association of Chartered Certified Accountants ("FCCA") and Associate member of The IIA Malaysia ("AIIA"). Supported by one (1) HOD, one (1) Senior Consultant and one (1) Associate Consultant, Mr Woon and his team carried out the internal audit engagement in accordance with approved audit plans. All internal audit staff on the engagement are free from any relationships or conflict of interest, which could impair their objectivity and independence. The internal audit function was performed in compliance with the global recognised framework, International Professional Practices Framework ("IPPF").

In FYE 2023, the activities carried out by the Internal Auditors are summarised as follows: -

- a) Prepared the risk based internal audit plan for the review and approval of the AC;
- b) Based on the approved internal audit plan, conducted two (2) internal audit reviews in the following operational areas: -

| Internal Audit Coverage Area | Internal Audit Cycle |
|--------------------------------------|----------------------|
| i. Authorisation Control Management | Quarter 3, FYE 2023 |
| ii. Management of Information System | Quarter 4, FYE 2023 |

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(CONTINUED)

INTERNAL AUDIT FUNCTION (CONT'D)

- c) Presented audit findings, along with root-cause analysis, Management's response and proposed action plans to the AC; and
- d) Performed follow-up review on previous internal audit findings to ensure that the recommended actions were implemented within the stipulated timeframe.

Based on the internal audit review conducted during FYE 2023, the Board is satisfied that there were no weaknesses identified that would result in material losses, contingencies, or uncertainties requiring separate disclosure in the Annual Report.

The total professional fees incurred for outsourcing the internal audit function for the FYE 2023 amounted to RM26,000.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the MMLR, the External Auditor has reviewed this Statement for inclusion in the Annual Report 2023. The review was performed in line with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information, and the guidance published in AAPG 3 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control Included in the Annual Report. Based on the External Auditor's review, nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respect, in accordance with the disclosures required by paragraph 41 and 42 of the Guidelines and Principle B of the MCCG to be set out, nor is factually inaccurate.

MANAGEMENT'S ASSURANCE

The Executive Directors and Financial Controller, representing the Management, have given reasonable assurance to the Board that the Group's risk management and internal controls system is adequately designed and effectively implemented, in all material aspects, to safeguard stakeholders' interests, protect shareholders' investments and secure the Group's assets during the financial year under review and up to the approval of this Annual Report. This assurance is based on the risk management and internal controls adopted by the Group and similar assurance received from the respective HODs.

CONCLUSION

The Board is committed to continue enhancing and maintaining a robust risk management and internal control system within the Group, with the aim of protecting our stakeholders' interests, shareholders' investments and the Group's assets. Moving forward, the Board will continuously evaluate and identify any deficiencies and implement the appropriate action plans to strengthen the Group's risk management and internal control system on an on-going basis.

Based on the assessment conducted for FYE 2023, the Board is of the view that the Group's risk management and internal control system is adequate and effective in safeguarding the interest of our stakeholders, shareholders and the Group's assets. No material losses have arisen from any inadequacy or failure of the Group's internal control system that would necessitate additional disclosure in this Annual Report.

The Statement was approved by the Board on 20 July 2023.

STATEMENT OF DIRECTORS' RESPONSIBILITY

Pursuant to the Companies Act 2016 ("CA 2016"), the Directors are obligated to prepare the financial statements for each financial year in compliance with the applicable Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs"), and the requirements of CA 2016.

In this regard, the Directors are responsible to ensure that the financial statements give a true and fair view of the Group and of the Company's affairs at the end of the financial year, as well as the results and cash flows for the financial year.

For the preparation of the financial statements for the FYE 2023, the Directors have: -

- a) considered and applied appropriate accounting policies in accordance with approved accounting standards consistently;
- b) made reasonable and prudent judgment and accounting estimates; and
- c) prepared the financial statements on a going concern basis.

In compliance with the CA 2016, the Directors are also accountable for the proper documentation and maintenance of accounting records of the Group and the Company. In addition, the Directors have the overall responsibility to undertake reasonable measures to safeguard the Group's assets so as to prevent and detect fraud and other irregularities.

This Statement is approved by the Board on 20 July 2023.

ADDITIONAL COMPLIANCE INFORMATION

The following disclosures are made pursuant to the MMLR of Bursa Securities: -

1. UTILISATION OF PROCEEDS

Disposal of Subsidiaries

The Company had on 7 May 2021 entered into two (2) conditional sales and purchase agreements for the disposal of the entire equity interests in Guper Resources Sdn. Bhd. and Ultra Trinity Sdn. Bhd. for a cash consideration of RM16,946,000 and RM5,506,000 respectively. The said disposal has been approved by the shareholders at the extraordinary general meeting on 9 September 2021 and was completed on 30 November 2021.

As of 31 March 2023, the utilisation of proceeds from the said disposal is tabulated as follows: -

| | Proposed Utilisation RM'000 | Actual Utilisation RM'000 | Deviation RM'000 | Balance RM'000 | 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 |
| Total | 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

2. AUDIT AND NON-AUDIT FEES

The breakdown of the audit and non-audit fees paid/payable to the External Auditor for the FYE 2023 are as follows: -

| | Company RM | Group RM |
|--|---------------|----------------|
| Audit Fee | 55,000 | 171,800 |
| Non-Audit Fee - Statement on Risk Management and Internal Control | 5,000 | 5,000 |
| Total | 60,000 | 176,800 |

3. DEVIATION IN RESULTS

The variance in the results between the audited financial statements for the FYE 2023 and the previously announced unaudited results for the same period was less than 10%.

4. PROFIT GUARANTEE

In FYE 2023, the Company did not provide any profit guarantee in any public document.

ADDITIONAL COMPLIANCE INFORMATION

(CONTINUED)

5. MATERIAL CONTRACTS

Save as disclosed below, there was no material contract entered into by the Company and its subsidiaries involving the interest of the Directors and major shareholders which was either still subsisting at the end of FYE 2023 or entered into since the end of the previous financial year:

- On 14 March 2022, the Company entered into a share sale agreement with Dato' Ong Choo Meng, to dispose the Company's total investment in Classic Scenic Berhad ("CSCENIC"), including 36,000,000 ordinary shares, representing approximately 14.94% equity interest in CSCENIC, and 18,000,000 warrants in CSCENIC for a total cash consideration of RM32.04 million. The disposal was completed on 21 July 2022.

6. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

The following are the details of recurrent related party transactions entered into between the Company and its subsidiaries and related parties during FYE 2023 pursuant to the Shareholders' Mandate obtained by the Company at the last AGM held on 25 August 2022: -

| No. | Transacting Parties | Interested Parties | Nature of Relationship | Nature of Transaction with HexTech Group | Aggregate value (RM'000) |
|-----|---|-------------------------------|---|---|--------------------------|
| 1. | PK Fertilizers Sdn. Bhd. ("PKF") | Dato' Ong Choo Meng ("OCM") | OCM is the Executive Director and major shareholder of HexTech. OCM is a major shareholder of Hextar Industries Bhd which is the holding company of PKF. | Provision of logistics services to PKF. | 876 |
| 2. | BTS Buildtrade Supply Sdn. Bhd. ("BTS") | Leow Li Hwa ("LLH") | LLH is the Executive Director of CIBC Technology Sdn. Bhd. ("CIBC"), a subsidiary of HexTech. She owns shares indirectly in CIBC. LLH is an indirect major shareholder of BTS. | Sales of building materials to BTS. | 94 |
| 3. | BP Concrete Sdn. Bhd. ("BPC") | LLH | LLH is the Executive Director of CIBC, a subsidiary of HexTech. She owns shares indirectly in CIBC. LLH is a director and major shareholder of BPC. | Sales of building materials to BPC. Purchase of building materials from BPC. | 5,025 203 |
| 4. | Global Forway Sdn. Bhd. ("GFSB") | Dato' Sri Gey Ka Hong ("GKH") | GKH was the Group CEO of HexTech, who has resigned from the office on 13 September 2022. GKH is a major shareholder of GFSB. | Provision of dedicated internet line and related services by GFSB. Provision of software licenses, tools and maintenance services by GFSB. | 111 98 |

ADDITIONAL COMPLIANCE INFORMATION

(CONTINUED)

7. SHARE ISSUANCE SCHEME ("SIS")

The Company had on 25 September 2013 obtained shareholders' approval via extraordinary general meeting to establish SIS to grant share options to eligible Directors and employees of the Group. As at 31 March 2023, the Company has granted four (4) batches of SIS, with the details as follows: -

- a) The total number of options granted, exercised and outstanding under existing SIS during FYE 2023: -

| Description | | Number of Options | |
|-------------|--------------------|-------------------|---------------------------------|
| | | Total | * Directors and Chief Executive |
| SIS 1 | Granted | - | - |
| | Exercised | - | - |
| | Forfeited | - | - |
| | Outstanding | - | - |
| SIS 2 | Granted | - | - |
| | Exercised | - | - |
| | Forfeited | - | - |
| | Outstanding | (32,000) | - |
| SIS 3 | Granted | - | - |
| | Exercised | - | - |
| | Forfeited | - | - |
| | Outstanding | (10,000) | - |
| SIS 4 | Granted | - | - |
| | Exercised | - | - |
| | Forfeited | - | - |
| | Outstanding | (20,000) | - |

* *In conjunction with the change in the Board and Key Senior Management, none of the Directors and Chief Executive are granted with and holding any outstanding options from SIS.*

- b) No options were granted to the Directors and Senior Management of the Group pursuant to the SIS during the FYE 2023.
- c) No options were granted to the Non-Executive Directors of the Company pursuant to the SIS during the FYE 2023. As at 31 March 2023, none of the existing Non-Executive Directors are holding options under the Company's SIS.

FINANCIAL STATEMENTS

| | |
|----|---|
| 63 | Directors' Report |
| 70 | Statement By Directors |
| 70 | Statutory Declaration |
| 71 | Independent Auditors' Report |
| 75 | Statements Of Financial Position |
| 76 | Statements Of Profit Or Loss And Other Comprehensive Income |
| 77 | Statements Of Changes In Equity |
| 79 | Statements Of Cash Flows |
| 81 | Notes To The Financial Statements |



DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2023.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

| | Group RM | Company RM |
|--|------------------|------------------|
| Profit after taxation for the financial year | 3,758,639 | 1,625,023 |
| Attributable to: | | |
| Owners of the Company | 4,122,739 | 1,625,023 |
| Non-controlling interests | (364,100) | - |
| | <u>3,758,639</u> | <u>1,625,023</u> |

DIVIDENDS

The Company paid an interim dividend of 40 sen per ordinary share amounting to RM51,459,600 for the financial year ended 31 March 2023 on 16 August 2022.

The directors do not recommend the payment of any further dividends for the financial year.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) there were no changes in the issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

DIRECTORS' REPORT

(CONTINUED)

OPTIONS GRANTED OVER UNISSUED SHARES

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

In previous financial years, the Company granted share options to eligible directors and employees of the Group under the Share Issuance Scheme ("SIS") approved by the shareholders of the Company at the extraordinary general meeting held on 25 September 2013 to subscribe for a total of 6,400,000 ordinary shares at an exercise price of RM0.62 per share ("SIS 1"), out of which no (2022: 40,000) ordinary shares were forfeited during the financial year due to the resignations of employees and a total of nil (2022:nil) ordinary shares were exercisable at the end of the reporting period. On 27 June 2016, the Company has granted share options to eligible directors and employees of the Group under the SIS to subscribe for a total of 845,000 ordinary shares at an exercise price of RM0.68 per share ("SIS 2"), out of which no (2022: 2,000) ordinary shares were forfeited due to the resignations of employees and a total of nil (2022: 32,000) ordinary shares are exercisable at the end of the reporting period. On 28 April 2017, the Company has granted share options to eligible directors and employees of the Group under the SIS to subscribe for a total of 1,055,000 ordinary shares at an exercise price of RM0.88 per share ("SIS 3"), out of which no (2022: 29,000) ordinary shares were forfeited due to the resignations of employees and a total of nil (2022: 10,000) ordinary shares were exercisable at the end of the reporting period. On 3 September 2018, the Company has granted share options to eligible directors and employees of the Group under the SIS to subscribe for a total of 2,328,000 ordinary shares at an exercise price of RM0.55 per share ("SIS 4"), out of which no (2022: nil) ordinary shares were forfeited due to the resignations of employees and a total of nil (2022: 20,000) ordinary shares were exercisable at the end of the reporting period.

The salient features of the SIS are as follows:

- (a) Eligible directors and employees are those who have been confirmed in service on the date of offer;
- (b) The aggregate number of shares to be issued under the SIS shall not be more than 15% of the issued and paid-up share capital of the Company;
- (c) The SIS shall be in force for a period of 5 years from the first grant date and may be extended for a further 5 years at the discretion of the Board of Directors;
- (d) The option price shall not be at a discount of more than 10% from the 5-day weighted average market price of the shares of the Company preceding the date of offer;
- (e) An option holder may, in a particular year, exercise up to such maximum number of shares in the option certificate or as determined by the SIS Committee;
- (f) All new ordinary shares issued upon exercise of the share options granted under the SIS will rank pari passu in all respects with the existing ordinary shares of the Company; and
- (g) The share options granted to eligible Directors and employees will lapse when they are no longer in employment with the Group.

The share options granted are exercisable at any time from the date of offer up to the date of expiry on 18 November 2018 subject to a maximum percentage of 100% (2022: 100%) of the total number of share options granted in each year from the date of offer. Where the maximum percentage of the share options for a particular period is not fully exercised, the unexercised share options shall be carried forward to the next period and shall not be subject to the maximum percentage for the next period.

DIRECTORS' REPORT
(CONTINUED)**OPTIONS GRANTED OVER UNISSUED SHARES (CONT'D)**

On 4 September 2018, the Board has approved to extend its existing SISs' tenure which is expiring on 18 November 2018 for another 5 years until 18 November 2023. These options are exercisable on the specified exercisable period and stated in the SIS By-Laws subject to the options being vested as follows:

| | From 19.11.2018 | From 1.4.2019 | From 1.4.2020 |
|-------|--------------------|------------------|------------------|
| SIS 1 | 20% | 80% | - |
| SIS 2 | - | 50% | 50% |
| SIS 3 | - | 50% | 50% |
| SIS 4 | 100% | - | - |

During the financial year, there is no ordinary shares were exercised by the eligible directors and employees of the Group.

Relevant details on the SIS are disclosed in Note 14 to the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value 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 which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT

(CONTINUED)

CONTINGENT AND OTHER LIABILITIES

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

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities 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.

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

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, in the opinion of the directors, 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.

DIRECTORS

The names of directors of the Company who served during the financial year and up to the date of this report are as follows:

Dato' Ong Choo Meng (Appointed on 3 January 2023)
Ronald Khoo Boo Soon
Dato' Ong Chong Yi
Yeoh Chin Hoe
Tan Sri Muhammad Bin Ibrahim (Appointed on 3 January 2023)
Choo Joon Keong (Appointed on 3 January 2023)
Sujatha Sekhar A/P Tan Sri B.C.Sekhar (Appointed on 23 May 2023)
Sun Thian Thian (Appointed on 25 August 2022 and resigned on 1 March 2023)
Datuk Iskandar Bin Sarudin (Resigned on 3 January 2023)
Teh Li King (Resigned on 3 January 2023)

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:

Ong Soon Lim
Leow Li Hwa
Tan Eng Kiong

DIRECTORS' REPORT

(CONTINUED)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of Director holding office at the end of the financial year in shares of the Company during the financial year are as follows:

| | ← Number of ordinary shares → | | | |
|----------------------------|---|--------|------|------------|
| | At 1.4.2022/ Date of Appointment | Bought | Sold | |
| The Company | | | | |
| <i>Direct interests</i> | | | | |
| Dato' Ong Choo Meng | 21,490,600 | - | - | 21,490,600 |
| <i>Indirect interests*</i> | | | | |
| Dato' Ong Choo Meng | 70,460,000 | - | - | 70,460,000 |

* Deemed interested by virtue of his direct substantial shareholdings in Hextar Tech Sdn. Bhd. and Hextar Holdings Sdn. Bhd.

By virtue of their shareholdings in the Company, Dato' Ong Choo Meng is deemed to have interests in shares in its relate corporations during the financial year to the extent of the Company's interests, in accordance with Section 8 of the Companies Act 2016.

The other directors holding office at the end of the financial year had no interest in shares, options over unissued shares of debentures of the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Directors have received or become entitled to receive any benefit (other than directors' remuneration as disclosed in the "Directors' Remuneration" of this report) 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 in which the Director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 29 to the financial statements.

Neither during nor at the end of the financial year was the Group or 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 other than the share options granted to certain directors pursuant to the Share Issuance Scheme of the Company.

DIRECTORS' REPORT

(CONTINUED)

DIRECTORS' REMUNERATION

The details of the Directors' remuneration paid or payable to the Directors of the Company during the financial year are as follows:-

| | Group RM | Company RM |
|--------------------------------------|-------------|---------------|
| Fees | 153,484 | 153,484 |
| Salaries, bonuses and other benefits | 603,311 | 31,750 |
| Defined contribution plan | 67,020 | - |
| | 823,815 | 185,234 |

INDEMNITY AND INSURANCE COST

During the financial year, the amount of indemnity coverage and insurance premium paid for the Directors of the Company were RM10,000,000 and RM12,000 respectively.

SUBSIDIARIES

The details of the subsidiary name, place of incorporation, principal activities and percentage of issued share capital held by the Company in each subsidiaries are disclosed in Note 7 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 34 to the financial statements.

SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 35 to the financial statements.

DIRECTORS' REPORT (CONTINUED)

AUDITORS

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

The details of the auditors' remuneration for the financial year are as follows:-

| | The Group RM | The Company RM |
|----------------|-----------------|-------------------|
| Audit fee | 171,800 | 55,000 |
| Non-audit fees | 5,000 | 5,000 |
| | 176,800 | 60,000 |

Signed in accordance with a resolution of the Directors dated 20 July 2023.

Dato' Ong Choo Meng

Ronald Khoo Boo Soon

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Ong Choo Meng and Ronald Khoo Boo Soon, being two of the directors of Hextar Technologies Solutions Berhad, state that, in the opinion of the directors, the financial statements set out on pages 75 to 140 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 of 31 March 2023 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 20 July 2023.

Dato' Ong Choo Meng

Ronald Khoo Boo Soon

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Tan Eng Kiong, MIA Membership Number: 24224, being the officer primarily responsible for the financial management of Hextar Technologies Solutions Berhad, do solemnly and sincerely declare that the financial statements set out on pages 75 to 140 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly
declared by the abovementioned
at Kuala Lumpur in the
Federal Territory
on this 20 July 2023

Tan Eng Kiong

Before me

INDEPENDENT AUDITORS' REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Hextar Technologies Solutions Berhad, which comprise the statements of financial position as at 31 March 2023 of the Group and of the Company, and the 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 75 to 140.

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 2023, and of their financial performance and their 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.

Key Audit Matters

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

(1) Impairment assessment of trade receivable

Refer to Note 10 to the financial statements

Key Audit Matter

As of the reporting date, the Group's total trade receivables amounted to RM57.64 million is stated net of allowance for impairment losses of RM2.04 million. Trade receivables are major component of the financial position of the Group. We focused on this area due to the magnitude of the amount involved and significant judgements are required to assess the allowance for impairment losses of trade receivables. The assessment on impairment of trade receivables involves significant management judgement, taking into consideration the age of the trade debts, historical payment patterns, existence of disputes and bad debt written off in the past.

How our audit addressed the Key Audit Matter

Our audit procedures included, among others:

- Enquired management's inputs and assumptions used when determining the expected credit loss allowance;
- Evaluated the appropriateness and reasonableness of the key assumptions used in the expected credit loss model and tested its mathematical accuracy;
- Tested the accuracy of the ageing profiles against supporting documents on a sample basis;
- Evaluated the adequacy of impairment losses provided.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Key Audit Matters (cont'd)**(2) Revenue recognition**

Refer to Note 21 to the financial statements

*Key Audit Matter**How our audit addressed the Key Audit Matter***Sale of Goods**

Revenue from sale of goods amounting to RM122 million represent 75% of the Group's revenue for the financial year ended 31 March 2023.

The Group's revenue recognition policy is to recognise the revenue upon the transfer of control of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods. The timing of the transfer of the risks and rewards of the goods to the buyers is defined by the specific delivery terms agreed upon with the customers, and there is a risk that revenue could be misstated resulting from cut off issue and thus we have identified this matter as a key audit matter.

Our audit procedures included, among others:

- Assessed internal controls of revenue cycle and performed Test of Control;
- Performed fraud inquiry to management personnel and audit committee;
- Reviewed management's revenue recognition policy;
- Verified the supporting documents so as to ascertain the proof of the service rendering and sale of goods;
- Reviewed contracts with customer and the satisfaction of performance obligation as specified in the contracts; and
- Tested on sample basis for sales transactions taking place near to or after the reporting date by evaluating the agreed delivery terms provided by the customers.

Rendering of services

Revenue from rendering of services amounting to RM40 million represent 25% of the Group's revenue for the financial year ended 31 March 2023.

Revenue from rendering of services is recognised during the period in which control over the promised services have been transferred to customers. These services consist of large volumes of individually low value transactions and the rates applied to each transaction are based on contract terms agreed among different customers. The recognition of revenue transactions from these services is records manually by the management. Through such manual recording, management has the ability to influence the recognition of revenue, hence there is a risk of misstatement in the revenue recognised from rendering of services.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Information Other than the Financial Statements and Auditors' Report Thereon (cont'd)

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

Responsibilities of the Directors for the Financial Statements

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

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.

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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

OTHER MATTER

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.

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Chan Kuan Chee
02271/10/2023 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2023

| | Note | Group | | Company | |
|---|------|--------------------|--------------------|--------------------|--------------------|
| | | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 5 | 31,822,319 | 33,206,514 | - | 582 |
| Right-of-use assets | 6 | 29,231,007 | 27,396,949 | - | - |
| Investments in subsidiaries | 7 | - | - | 68,266,694 | 24,616,936 |
| Investments in associates | 8 | - | 24,597,112 | - | 21,400,000 |
| Other investments | 9 | 2,570,800 | 29,160,000 | 2,570,800 | 29,160,000 |
| | | 63,624,126 | 114,360,575 | 70,837,494 | 75,177,518 |
| Current assets | | | | | |
| Trade and other receivables | 10 | 69,933,620 | 55,584,340 | 74,276,812 | 108,089,353 |
| Contract asset | | 24,237 | 83,249 | - | - |
| Current tax assets | | 1,222,510 | 414,801 | 263,930 | 103,345 |
| Cash and cash equivalents | 11 | 21,545,589 | 27,398,221 | 7,686,816 | 20,526,406 |
| | | 92,725,956 | 83,480,611 | 82,227,558 | 128,719,104 |
| Total assets | | 156,350,082 | 197,841,186 | 153,065,052 | 203,896,622 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Share capital | 12 | 72,397,926 | 72,397,926 | 72,397,926 | 72,397,926 |
| Retained earnings | 13 | 51,226,879 | 99,691,591 | 80,514,565 | 131,476,993 |
| Other reserves | 14 | 22,052 | (205,799) | 22,052 | (205,799) |
| Equity attributable to owners of the Company | | 123,646,857 | 171,883,718 | 152,934,543 | 203,669,120 |
| Non-controlling interests | | (694,949) | (330,849) | - | - |
| Total equity | | 122,951,908 | 171,552,869 | 152,934,543 | 203,669,120 |
| Non-current liabilities | | | | | |
| Leases liabilities | 15 | 17,106,324 | 15,617,297 | - | - |
| Deferred tax liabilities | 16 | 1,034,724 | 1,279,235 | - | - |
| | | 18,141,048 | 16,896,532 | - | - |
| Current liabilities | | | | | |
| Trade and other payables | 17 | 10,186,390 | 6,580,821 | 130,509 | 227,502 |
| Contract liabilities | | 138,032 | 42,338 | - | - |
| Leases liabilities | 15 | 1,085,704 | 263,332 | - | - |
| Borrowings | 18 | 3,847,000 | 2,505,294 | - | - |
| | | 15,257,126 | 9,391,785 | 130,509 | 227,502 |
| Total liabilities | | 33,398,174 | 26,288,317 | 130,509 | 227,502 |
| Total equity and liabilities | | 156,350,082 | 197,841,186 | 153,065,052 | 203,896,622 |

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

| | Note | Group | | Company | |
|---|------|---------------|---------------|-------------|------------|
| | | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Revenue | 21 | 162,386,776 | 114,032,440 | 1,600,000 | 1,789,000 |
| Cost of sales | 22 | (150,830,819) | (105,261,289) | - | - |
| Gross profit | | 11,555,957 | 8,771,151 | 1,600,000 | 1,789,000 |
| Other income | | 6,707,736 | 13,441,091 | 7,793,750 | 18,330,808 |
| Marketing and distribution costs | | (2,037,201) | (1,358,316) | - | - |
| Administrative expenses | | (4,542,955) | (4,035,062) | (7,505,073) | (492,370) |
| Other expenses | | (5,791,583) | (3,274,606) | (346,464) | (954,363) |
| Finance costs | | (1,000,381) | (1,194,304) | - | - |
| Share of results of associates | | 595,726 | 1,198,563 | - | - |
| Profit before tax | 23 | 5,487,299 | 13,548,517 | 1,542,213 | 18,673,075 |
| Income tax (expense)/credit | 24 | (1,728,660) | (829,010) | 82,810 | (39,123) |
| Profit after tax | | 3,758,639 | 12,719,507 | 1,625,023 | 18,633,952 |
| Other comprehensive expense | | (900,000) | - | (900,000) | - |
| Total comprehensive income | | 2,858,639 | 12,719,507 | 725,023 | 18,633,952 |
| Profit after tax attributable to: | | | | | |
| Owners of the Company | | 4,122,739 | 12,874,460 | 1,625,023 | 18,633,952 |
| Non-controlling interests | | (364,100) | (154,953) | - | - |
| | | 3,758,639 | 12,719,507 | 1,625,023 | 18,633,952 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | | 3,222,739 | 12,874,460 | 725,023 | 18,633,952 |
| Non-controlling interests | | (364,100) | (154,953) | - | - |
| | | 2,858,639 | 12,719,507 | 725,023 | 18,633,952 |
| Basic earnings per ordinary share (sen) | 26 | 3.2 | 10.0 | | |
| Diluted earnings per ordinary share (sen) | 26 | 3.2 | 10.0 | | |

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

| Group | Note | Attributable to owners of the Company | | | | | | | Non-controlling interests RM | Total equity RM |
|--|-------|---------------------------------------|-----------------------|------------------|--------------------|----------------------|--------------|-----------|------------------------------|-----------------|
| | | Share capital RM | Fair value reserve RM | Share reserve RM | Treasury shares RM | Retained earnings RM | Total RM | Total RM | | |
| 1 April 2021 | | 72,397,926 | (227,851) | 55,162 | (131,249) | 90,955,166 | 163,049,154 | 14,592 | 163,063,746 | |
| Profit after tax/Total comprehensive income for the financial year | | - | - | - | - | 12,874,460 | 12,874,460 | (154,953) | 12,719,507 | |
| Forfeit of Share Issuance Scheme option Treasury shares sold | | - | - | (33,110) | - | 33,110 | - | - | - | |
| Contribution by and distributions to owners of the Company | | - | - | (33,110) | 131,249 | 605,809 | 703,948 | - | 703,948 | |
| Acquisition of non-controlling interest | 30(a) | - | - | - | - | (4,813,895) | (4,813,895) | (186,105) | (5,000,000) | |
| Disposal of subsidiaries | 31(c) | - | - | - | - | - | - | (39,332) | (39,332) | |
| Disposal of an existing subsidiary that do not result in a loss of control | 31(b) | - | - | - | - | 70,051 | 70,051 | 34,949 | 105,000 | |
| Total changes in ownership interests in subsidiaries | | - | - | (33,110) | 131,249 | (4,138,035) | (4,039,896) | (190,488) | (4,230,384) | |
| At 31 March/1 April 2022 | | 72,397,926 | (227,851) | 22,052 | - | 99,691,591 | 171,883,718 | (330,849) | 171,552,869 | |
| Profit after tax for the financial year | | - | - | - | - | 4,122,739 | 4,122,739 | (364,100) | 3,758,639 | |
| Other comprehensive income for the financial year:- | | - | - | - | - | - | - | - | - | |
| Fair value change of equity investments | | - | (900,000) | - | - | - | (900,000) | - | (900,000) | |
| Total comprehensive income for the financial year | | - | (900,000) | - | - | 4,122,739 | 3,222,739 | (364,100) | 2,858,639 | |
| Contributions by and distributions to owners of the Company: | | - | - | - | - | (51,459,600) | (51,459,600) | - | (51,459,600) | |
| Dividend | 25 | - | - | - | - | (1,127,851) | - | - | - | |
| Disposal of equity investments | | - | 1,127,851 | - | - | - | - | - | - | |
| At 31 March 2023 | | 72,397,926 | - | 22,052 | - | 51,226,879 | 123,646,857 | (694,949) | 122,951,908 | |

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

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

| Company | Note | Attributable to owners of the Company | | | | | Total equity RM |
|--|------|---------------------------------------|-----------------------|-------------------------|--------------------|----------------------|-----------------|
| | | Share capital RM | Fair value reserve RM | Share option reserve RM | Treasury shares RM | Retained earnings RM | |
| 1 April 2021 | | 72,397,926 | (227,851) | 55,162 | (131,249) | 112,237,232 | 184,331,220 |
| Profit after tax/Total comprehensive income for the financial year | | - | - | - | - | 18,633,952 | 18,633,952 |
| Forfeit of Share Issuance Scheme option Treasury shares sold | | - | - | (33,110) | - | 33,110 | - |
| | | - | - | - | 131,249 | 572,699 | 703,948 |
| Contributions by and distributions to owners of the Company | | - | - | (33,110) | 131,249 | 605,809 | 703,948 |
| At 31 March/1 April 2022 | | 72,397,926 | (227,851) | 22,052 | - | 131,476,993 | 203,669,120 |
| Profit after tax for the financial year | | - | - | - | - | 1,625,023 | 1,625,023 |
| Other comprehensive income for the financial year: | | - | (900,000) | - | - | - | (900,000) |
| - Fair value changes of equity investments | | - | (900,000) | - | - | - | (900,000) |
| Total comprehensive income for the financial year | | - | (900,000) | - | - | 1,625,023 | 725,023 |
| Contributions by and distributions to owners of the Company: | | - | - | - | - | (51,459,600) | (51,459,600) |
| - Dividend | 25 | - | - | - | - | (1,127,851) | - |
| Disposal of equity investment | | - | 1,127,851 | - | - | - | - |
| At 31 March 2023 | | 72,397,926 | - | 22,052 | - | 80,514,565 | 152,934,543 |

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

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

| | Note | Group | | Company | |
|---|------|--------------|--------------|-------------|--------------|
| | | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Operating activities | | | | | |
| Profit before tax | | 5,487,299 | 13,548,517 | 1,542,213 | 18,673,075 |
| Adjustments for: | | | | | |
| Bad debts | | 43,480 | 40,264 | - | 40,264 |
| Depreciation of property, plant and equipment | 5 | 2,677,370 | 2,892,024 | 83 | 250 |
| Depreciation of right-of-use assets | 6 | 892,208 | 890,554 | - | - |
| Dividend income from subsidiaries | 21 | - | - | (1,600,000) | (1,747,000) |
| Impairment loss on: | | | | | |
| - trade receivables | 10 | 1,215,866 | 567,746 | - | - |
| - amount owing by subsidiaries | | - | - | 3,601,176 | - |
| - investment in subsidiaries | | - | - | 3,200,242 | - |
| Interest expense | | 1,000,381 | 1,194,304 | - | - |
| Interest income | | (631,923) | (385,381) | (249,158) | (377,696) |
| Net gain on disposal of property, plant and equipment and right-of-use assets | 23 | (40,496) | (995,576) | - | - |
| Net gain on disposal of quoted investment | | (3,744,760) | - | (3,744,760) | - |
| Net gain on disposal of subsidiaries | | - | (11,219,950) | - | (17,953,112) |
| Net gain on disposal of associates | | (5,914) | - | (3,798,752) | - |
| Net unrealised (gain)/loss on foreign exchange | | (49,807) | 5,712 | - | - |
| Property, plant and equipment written off | 5 | 6,986 | 285 | 499 | - |
| Reversal of impairment loss on trade receivables | 10 | (943,953) | (79,797) | - | - |
| Share of results of associates | | (595,726) | (1,198,563) | - | - |
| Operating profit/(loss) before working capital changes | | 5,311,011 | 5,260,139 | (1,048,457) | (1,364,219) |
| Changes in working capital: | | | | | |
| Trade and other receivables | | (14,591,499) | (38,586,650) | (26,029) | (122,979) |
| Trade and other payables | | 3,701,263 | (11,065,491) | (96,993) | 55,483 |
| Cash used in operations | | (5,579,225) | (44,392,002) | (1,171,479) | (1,431,715) |
| Tax paid | | (2,780,880) | (1,904,289) | (77,775) | (243,000) |
| Tax refunded | | - | 110,315 | - | 61,842 |
| Net cash used in operating activities | | (8,360,105) | (46,185,976) | (1,249,254) | (1,612,873) |

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

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

| | Note | Group | | Company | |
|---|------|--------------|--------------|--------------|--------------|
| | | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Investing activities | | | | | |
| Additional investment in an existing subsidiary | | - | (5,000,000) | - | (7,200,000) |
| Additional investment in preference shares | | - | - | (46,850,000) | - |
| Repayment from/(advances to) subsidiaries | | - | - | 27,693,972 | (68,038,418) |
| Advances from associates | | - | - | 2,543,422 | - |
| Dividend received | | - | - | 1,600,000 | 1,747,000 |
| Interest received | | 631,923 | 385,381 | 249,158 | 377,696 |
| Investment in new subsidiary | | - | - | - | (1) |
| Net cash inflows from the disposals of subsidiaries | | - | 20,027,173 | - | 20,395,112 |
| Net cash inflows/(outflows) from the acquisitions of subsidiaries | | - | 596,996 | - | (200,000) |
| Proceeds from disposal of associate | | 22,627,952 | - | 22,627,952 | - |
| Proceeds from disposal of property, plant and equipment and right-of-use assets | | 122,294 | 3,043,735 | - | - |
| Proceeds from disposal of quoted shares | | 32,004,760 | - | 32,004,760 | - |
| Proceeds from disposal of treasury shares | | - | 703,948 | - | 703,948 |
| Purchase of property, plant and equipment | 11 | (1,381,959) | (2,933,855) | - | - |
| Purchase of right-of-use assets | 11 | (36,866) | (8,159,641) | - | - |
| Net cash from/(used in) investing activities | | 53,968,104 | 8,663,737 | 39,869,264 | (52,214,663) |
| Financing activities | | | | | |
| Repayment from subsidiaries | | - | - | - | 10,557,954 |
| Repayment from former subsidiaries | | - | 19,455,406 | - | 19,026,044 |
| Dividends paid | 25 | (51,459,600) | - | (51,459,600) | - |
| Drawdown of borrowings | | 17,532,113 | 4,889,000 | - | - |
| Interest paid | | (1,000,381) | (1,194,304) | - | - |
| Repayment of lease liabilities | 15 | (378,001) | (266,429) | - | - |
| Repayment of bills payable | 11 | (16,132,113) | (4,388,000) | - | - |
| Repayment of term loans | 11 | (58,294) | (3,427,152) | - | - |
| Withdrawal of pledged fixed deposits | | 135,000 | - | - | - |
| Net cash (used in)/from financing activities | | (51,361,276) | 15,068,521 | (51,459,600) | 29,583,998 |
| Net changes in cash and cash equivalents | | (5,753,277) | (22,453,718) | (12,839,590) | (24,243,538) |
| Changes in exchange differences | | 35,645 | - | - | - |
| Cash and cash equivalents at the beginning of financial year | | 27,233,221 | 49,686,939 | 20,526,406 | 44,769,944 |
| Cash and cash equivalents at the end of financial year | 11 | 21,515,589 | 27,233,221 | 7,686,816 | 20,526,406 |

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

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2023

1. CORPORATE INFORMATION

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

The registered office of the Company is located at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Wilayah Persekutuan, Kuala Lumpur.

The principal place of business of the Company is located at No. 64, Jalan Bayu Laut 4/KS09, Kota Bayuemas, 41200 Klang, Selangor Darul Ehsan.

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 20 July 2023.

HOLDING COMPANY

The holding company is Hextar Tech Sdn. Bhd., a company incorporated and domiciled in Malaysia.

2. PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

3.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 3: Reference 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

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

3.2 The Group has not applied in advance the following accounting standards and/or interpretations (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 year:-

| MFRSs and/or IC Interpretations (Including The Consequential Amendments) | Effective Date |
|---|-----------------------|
| MFRS 17: Insurance Contracts | 1 January 2023 |
| Amendments to MFRS 108: Definition of Accounting Estimates | 1 January 2023 |
| Amendments to MFRS 112: International Tax Reform - Pillar Two Model Rules | 1 January 2023 |
| Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |
| Amendments to MFRS 17: Insurance Contracts | 1 January 2023 |
| Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 - Comparative Information | 1 January 2023 |
| Amendments to MFRS 101: Disclosure of Accounting Policies | 1 January 2023 |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

3. BASIS OF PREPARATION (CONT'D)

- 3.2 The Group has not applied in advance the following accounting standards and interpretations (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 year:- (Cont'd)

| MFRSs and/or IC Interpretations (Including The Consequential Amendments) | Effective Date |
|--|-----------------------|
| Amendments to MFRS 101: Classification of Liabilities as Current or Non-current | 1 January 2024 |
| Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements | 1 January 2024 |
| Amendments to MFRS 101: Non-current Liabilities with Covenants | 1 January 2024 |
| Amendments to MFRS 16: Lease Liability in a Sale and Leaseback | 1 January 2024 |
| Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an investor and its Associate or Joint Venture | Deferred |

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Income Tax

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made.

(b) Depreciation of Property, Plant and Equipment and Right-Of-Use Assets

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment and right-of-use assets are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment and right-of-use assets will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amounts of property, plant and equipment and right-of-use assets as at the reporting date are disclosed in Notes 5 and 6 to the financial statements respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

Management believes there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:- (Cont'd)

(c) Impairment of Trade Receivables and Contract Asset

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables and contract assets.

(d) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default (probability of default) and expected loss if a default happens (loss given default). It also requires the Group to assess whether there is a significant increase in credit risk of the non-trade financial asset at the reporting date. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions and forward-looking information. The carrying amounts of other receivables and amounts owing by subsidiaries as at the reporting date are disclosed in Note 10 to the financial statements.

(e) Fair Value of Estimates for Unquoted Financial Assets

The Group carries certain financial assets that are not traded in an active market at fair value. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The amount of fair value changes would differ if the Group uses different valuation methodologies and assumptions, and eventually affect profit and other comprehensive income.

(f) Impairment of Property, Plant and Equipment and Right-Of-Use Assets

The Group determines whether its property, plant and equipment and right-of-use assets are impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amounts of property, plant and equipment and right-of-use assets as at the reporting date are disclosed in Notes 5 and 6 to the financial statements respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Lease Terms

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

(b) Share-Based Payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity investments at the date at which they are granted. The estimating of the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option volatility and dividend yield and making assumptions about them.

4.2 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also 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.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combination

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Basis of consolidation (Cont'd)

(a) Business combinations (Cont'd)

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-Controlling Interest

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes in Ownership Interest in Subsidiaries without Changes of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interest.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Property, plant and equipment

All items of property, plant and equipment are initially measured at cost which includes expenditure that is directly attributable to the acquisition of the items. 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 cost of the item can be measured reliably.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and the carrying amount of the replaced parts are derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the item and restoring the site on which it is located for which the Group is obligated to incur when the item is acquired, if applicable.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Construction work-in-progress are stated at cost and will be transferred to the relevant category of long-term assets and depreciated accordingly when the assets are completed and ready for their intended use.

Freehold land and construction work-in-progress are not depreciated. Depreciation of other property, plant and equipment is computed on a straight-line basis over their estimated useful lives as follows:

| | |
|---------------------|-----------|
| Buildings | 2% |
| Motor vehicles | 20% |
| Office equipment | 20% - 40% |
| Operating equipment | 10% |
| Plant and machinery | 10% |

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

The residual values, useful lives and depreciation method are reviewed and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods 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. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on 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 carrying amount is included in profit or loss.

4.4 Investments in subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Impairment

(a) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade receivables and contract assets.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(b) Impairment of non-financial assets

The carrying values of assets, other than those to which MFRS 136 does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Impairment (Cont'd)

(b) Impairment of non-financial assets (Cont'd)

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.6 Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 Financial instruments (Cont'd)

(a) Financial Assets (Cont'd)

Debt Instruments (Cont'd)

(i) Amortised Cost (Cont'd)

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The fair value changes do not include interest or dividend income.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 Financial instruments (Cont'd)

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the reporting period, other than those accounted for under hedge accounting, are recognised directly in profit or loss.

Any derivative embedded in a financial asset is not accounted for separately. Instead, the entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

An embedded derivative is recognised separately from the host contract which is a financial liability as a derivative if, and only if, its risks and characteristics are not closely related to those of the host contract and the host contract is not measured at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 Financial instruments (Cont'd)

(e) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(f) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

4.7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

4.8 Contract asset and contract liability

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment requirements of MFRS 9.

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 Leases

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

4.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of financing a specific project-in-progress, in which case the actual borrowing costs incurred on that borrowings less any investment income on temporary investment of that borrowings will be capitalised.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 Income Taxes

(a) Current Tax

Current tax assets and liabilities are the expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and the liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

4.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

4.14 Employee benefits

(a) Short-term Benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services to the Group.

Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined Contribution Plans

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

(c) Share-Based Payment Transactions

At grant date, the fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Upon expiry of the share option, the employee share option is transferred to retained earnings. When the share options are exercised, the employee share option reserve is transferred to share capital if new ordinary shares are issued.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 Functional and foreign currencies

- Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

- Foreign currency transactions and balances

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into Ringgit Malaysia at rates of exchange ruling at that date unless hedged by forward foreign exchange contracts, in which case the rates specified in such a forward contracts are used. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

4.16 Revenue from contracts with customers

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract.

The Group recognises revenue when it transfers control over a product or service to customer. An asset is transferred when the customer obtains control of that asset.

The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 Revenue from contracts with customers (Cont'd)

(a) Sale of goods

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Services

Revenue from logistics services is recognised over time in the period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

4.17 Revenue from other sources and other operating income

(a) Dividend income

Dividend income is recognised when the right to receive dividend payment is established.

(b) Interest income

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

(c) Rental income

Rental income is accounted for on a straight-line method over the lease term.

4.18 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4.19 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. In estimating the fair value of an asset or a liability, the Group take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market 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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 Fair value measurements (Cont'd)

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

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical asset or liability that the entity can access at the measurement date;
- Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

The fair value for measurement and disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions (MFRS 2), leasing transactions (MFRS 16) and measurement that have some similarities to fair value but not are fair value, such as net realisable value (MFRS 102) or value in use (MFRS 136).

4.20 Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effect of all dilutive potential ordinary shares, which comprise share options granted to employees.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

5. PROPERTY, PLANT AND EQUIPMENT

| Group | At 1 April RM | Additions (Note 11) RM | Disposals RM | Written- off RM | Depreciation charges RM | At 31 March RM | | |
|-------------------------------|---------------------|------------------------------|-----------------|-----------------------|-------------------------------------|------------------------------------|-------------------------------|----------------------|
| 2022/2023 | | | | | | | | |
| Freehold land | 6,014,462 | - | - | - | - | 6,014,462 | | |
| Buildings | 20,107,312 | - | - | - | (654,688) | 19,452,624 | | |
| Office equipment | 1,125,251 | 441,306 | (69,945) | (6,986) | (569,644) | 919,982 | | |
| Operating equipment | 5,959,489 | - | (11,853) | - | (1,453,038) | 4,494,598 | | |
| Capital work-in-progress | - | 940,653 | - | - | - | 940,653 | | |
| | 33,206,514 | 1,381,959 | (81,798) | (6,986) | (2,677,370) | 31,822,319 | | |
| Group | At 1 April RM | Additions (Note 11) RM | Disposals RM | Written- off RM | Reclassification subsidiaries RM | Disposals of subsidiaries RM | Depreciation charges RM | At 31 March RM |
| 2021/2022 | | | | | | | | |
| Freehold land | 12,349,616 | - | (586,541) | - | - | (5,748,613) | - | 6,014,462 |
| Buildings | 28,842,944 | 958,450 | (411,941) | - | 6,701,830 | (15,165,412) | (818,559) | 20,107,312 |
| Motor vehicles | 311,705 | - | (217,383) | - | - | - | (94,322) | - |
| Office equipment | 82,379 | 1,552,524 | (3,081) | (285) | - | (27,270) | (479,016) | 1,125,251 |
| Operating equipment | 7,513,082 | 14,000 | (67,466) | - | - | - | (1,500,127) | 5,959,489 |
| Plant and machinery | 51,280 | - | (51,280) | - | - | - | - | - |
| Vessel equipment | 66,967 | - | (66,967) | - | - | - | - | - |
| Vessels | 943,800 | - | (643,500) | - | - | (300,300) | - | - |
| Construction work-in-progress | 6,292,949 | 408,881 | - | - | (6,701,830) | - | - | - |
| | 56,454,722 | 2,933,855 | (2,048,159) | (285) | - | (21,241,595) | (2,892,024) | 33,206,514 |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

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

| Group | At cost RM | Accumulated depreciation RM | Carrying amount RM |
|--------------------------|---------------|-----------------------------------|--------------------------|
| 2023 | | | |
| Freehold land | 6,014,462 | - | 6,014,462 |
| Buildings | 20,746,751 | (1,294,127) | 19,452,624 |
| Motor vehicles | 994,520 | (994,520) | - |
| Office equipment | 2,161,207 | (1,241,225) | 919,982 |
| Operating equipment | 22,197,122 | (17,702,524) | 4,494,598 |
| Capital work-in-progress | 940,653 | - | 940,653 |
| | 53,054,715 | (21,232,396) | 31,822,319 |

| | | | |
|---------------------|------------|--------------|------------|
| 2022 | | | |
| Freehold land | 6,014,462 | - | 6,014,462 |
| Buildings | 20,746,751 | (639,439) | 20,107,312 |
| Motor vehicles | 994,520 | (994,520) | - |
| Office equipment | 2,175,035 | (1,049,784) | 1,125,251 |
| Operating equipment | 22,208,975 | (16,249,486) | 5,959,489 |
| | 52,139,743 | (18,933,229) | 33,206,514 |

| Company | At 1 April RM | Depreciation RM | Written-off RM | At 31 March RM |
|------------------------|------------------|--------------------|-------------------|-------------------|
| 2022/2023 | | | | |
| <i>Carrying amount</i> | | | | |
| Office equipment | 582 | (83) | (499) | - |

| | At 1 April RM | Depreciation RM | At 31 March RM |
|------------------|------------------|--------------------|-------------------|
| 2021/2022 | | | |
| Office equipment | 832 | (250) | 582 |

| Company | At cost RM | Accumulated depreciation RM | Carrying amount RM |
|------------------|---------------|-----------------------------------|--------------------------|
| 2023 | | | |
| Office equipment | - | - | - |
| 2022 | | | |
| Office equipment | 832 | (250) | 582 |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

6. RIGHT-OF-USE ASSETS

| Group | At 1 April RM | Additions (Note 11) RM | Disposals of subsidiaries (Note 31) RM | Depreciation RM | At 31 March RM |
|---|---------------------|------------------------------|---|--------------------|----------------------|
| Carrying amount | | | | | |
| 2023 | | | | | |
| Leasehold land under Sale and Purchase Agreements | 12,174,521 | - | - | (189,106) | 11,985,415 |
| Leasehold land under Lease Agreement | 15,222,428 | 2,429,400 | - | (643,729) | 17,008,099 |
| Motor Vehicle | - | 296,866 | - | (59,373) | 237,493 |
| | 27,396,949 | 2,726,266 | - | (892,208) | 29,231,007 |

| | | | | | |
|---|-------------------|------------------|---------------------|------------------|-------------------|
| 2022 | | | | | |
| Leasehold land under Sale and Purchase Agreements | 25,315,820 | 8,159,641 | (20,958,942) | (341,998) | 12,174,521 |
| Leasehold land under Lease Agreement | 15,770,984 | - | - | (548,556) | 15,222,428 |
| | 41,086,804 | 8,159,641 | (20,958,942) | (890,554) | 27,396,949 |

| Group | At cost RM | Accumulated depreciation RM | Carrying amount RM |
|---|-------------------|-----------------------------------|--------------------------|
| 2023 | | | |
| Leasehold land under Sale and Purchase Agreements | 12,764,921 | (779,506) | 11,985,415 |
| Leasehold land under Lease Agreement | 18,886,079 | (1,877,980) | 17,008,099 |
| Motor vehicle | 296,866 | (59,373) | 237,493 |
| | 31,947,866 | (2,716,859) | 29,231,007 |
| 2022 | | | |
| Leasehold land under Sale and Purchase Agreements | 12,764,921 | (590,400) | 12,174,521 |
| Leasehold land under Lease Agreement | 16,456,679 | (1,234,251) | 15,222,428 |
| | 29,221,600 | (1,824,651) | 27,396,949 |

The leasehold land under Lease Agreement of the Group at the reporting period is used in operations and its lease term is 30 years. The Lease Agreement includes extension and termination options which are negotiated by management to provide flexibility in managing the portfolio of leased asset and align with the Group's business needs. Management exercises judgement in determining whether the extension and termination options are reasonably certain to be exercised.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

7. INVESTMENTS IN SUBSIDIARIES

| Company | 2023 RM | 2022 RM |
|---|-------------|-------------|
| Unquoted shares, at cost | | |
| At 1 April 2022/2021 | 24,616,936 | 19,658,935 |
| Acquisitions | - | 5,200,000 |
| Redeemable convertible preference share Addition | 46,850,000 | - |
| Disposals | - | (2,442,000) |
| | 71,466,936 | 24,616,936 |
| Accumulated Impairment losses | (3,200,242) | - |
| At 31 March | 68,266,694 | 24,616,936 |

Details of the subsidiaries are as follows:

| Name of subsidiary | Principal Place of Business/Country of Incorporation | Percentage of issued share capital held by Parent | | Principal activities |
|--|--|---|------|--|
| | | 2023 | 2022 | |
| <i>Subsidiaries of the Company</i> | | | | |
| Channel Legion Sdn. Bhd. | Malaysia | 100% | 100% | Investment holding |
| Complete Logistic Specialists Sdn. Bhd. | Malaysia | 100% | 100% | Total logistics services provider |
| Guper Bonded Warehouse Sdn. Bhd. # | Malaysia | 100% | 100% | Investment holding |
| Hextech Management Sdn. Bhd. (formerly known as Guper Properties Sdn. Bhd.) # | Malaysia | 100% | 100% | Insurance agents and provision of management services |
| Island Network Sdn. Bhd. | Malaysia | 100% | 100% | General trading |
| Malsuria (M) Sdn. Bhd. | Malaysia | 100% | 100% | Providing financial services |
| Pengangkutan Sekata Sdn. Bhd. | Malaysia | 100% | 100% | Lorry transport operator |
| CIBC Technology Sdn. Bhd. | Malaysia | 65% | 65% | Trading and E-commerce |
| Sin Hiap Hoe Trading & Transport Sdn. Bhd. # | Malaysia | 100% | 100% | Lorry transport operator |
| Hextar Marketing Sdn. Bhd. | Malaysia | 100% | 100% | Trading of building materials and other general items |
| Hextar Vision Sdn. Bhd. | Malaysia | 100% | 100% | Provision of technology related services |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows (Cont'd):

| Name of subsidiary | Principal Place of Business/Country of Incorporation | Percentage of issued share capital held by Parent | | Principal activities |
|--|--|---|------|--------------------------|
| | | 2023 | 2022 | |
| <i>Subsidiary of Pengangkutan Sekata Sdn. Bhd.</i> | | | | |
| Dian Pahlawan Sdn. Bhd. # | Malaysia | 100% | 100% | Lorry transport operator |

Not audited by Crowe Malaysia PLT

- (a) On 31 March 2023, The Company subscribed for RM11,800,000 and RM35,050,000 of redeemable convertible preference shares ("RCPS") in wholly owned subsidiaries, Channel Legion Sdn. Bhd. and Guper Bonded Warehouse Sdn. Bhd. respectively. The RCPS is unsecured, non-transferable and redeemable at par on the maturity date in year 2028.
- (b) Details of the acquisition of subsidiaries in the previous financial year are disclosed in Note 30 to the financial statements.
- (c) Details of the disposals of subsidiaries in the previous financial year are disclosed in Note 31 to the financial statements.
- (d) The non-controlling interests at the end of the reporting period comprise the following:

| Group | Effective equity interest | | 2023 RM | 2022 RM |
|------------------------------------|---------------------------|-----------|------------|------------|
| | 2023 % | 2022 % | | |
| CIBC Technology Sdn. Bhd. ("CTSB") | 35 | 35 | (694,949) | (330,849) |

The summarised financial information (before intra-group elimination) for the subsidiaries that has non-controlling interests that are material to the Group is as follows:

| | CTSB | |
|--|--------------|-------------|
| | 2023 RM | 2022 RM |
| At 31 March | | |
| Non-current assets | 728,550 | 987,642 |
| Current assets | 20,433,894 | 4,774,225 |
| Current liabilities | (23,139,089) | (6,698,227) |
| Net liabilities | (1,976,645) | (936,360) |
| Financial year ended 31 March | | |
| Revenue | 38,932,228 | 7,058,414 |
| Loss after tax/Total comprehensive expenses | (1,040,285) | (859,767) |
| Total comprehensive expenses attributable to non-controlling interests | (364,100) | (300,918) |
| Net cash used in operating activities | (14,203,293) | (2,691,077) |
| Net cash from investing activities | 221,338 | 581,509 |
| Net cash from financing activities | 16,110,000 | 2,596,033 |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

8. INVESTMENTS IN ASSOCIATES

| | Group | | Company | |
|-----------------------------------|------------|------------|------------|------------|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Unquoted shares, at cost | - | 21,400,000 | - | 21,400,000 |
| Share of post acquisition results | - | 3,197,112 | - | - |
| | - | 24,597,112 | - | 21,400,000 |

Details of the associates are as follows:

| Name of associate | Principal Place of Business/Country of Incorporation | Percentage of issued share capital held by Parent | | Principal activities |
|--|--|---|------|---|
| | | 2023 | 2022 | |
| Dolphin Shipping Agency Sdn. Bhd. # + ("DSA") | Malaysia | - | 20% | Shipping agent for provision of freight services |
| Gems Logistics Sdn. Bhd. # + ("GL") | Malaysia | - | 20% | Provision of warehousing services |
| Guper Integrated Logistics Sdn. Bhd. # + @ ("GIL") | Malaysia | - | 20% | Provision of total logistic services with haulage, forwarding and other associated services |

Not audited by Crowe Malaysia PLT

+ The financial statement of these associate was equity accounted based on management accounts up to the date of disposal. The financial effects arising from disposal was not presented as the loss on disposal was not material to the Group.

@ Deemed as other investment upon disposal of 17.56% equity interest.

The summarised financial information (after any fair value adjustment at acquisition date) for the associates that are material to the Group in the previous financial year is as follows:

| | DSA RM | GIL RM | GL RM | Total RM |
|-------------------------|--------------|--------------|--------------|--------------|
| At 31 March 2022 | | | | |
| Non-current assets | 15,903,673 | 42,262,824 | 24,076,086 | 82,242,583 |
| Current assets | 3,245,767 | 45,693,027 | 510,759 | 49,449,553 |
| Non-current liabilities | - | (14,070,155) | (12,721,979) | (26,792,134) |
| Current liabilities | (16,271,749) | (7,053,706) | (5,168,373) | (28,493,828) |
| Net assets | 2,877,691 | 66,831,990 | 6,696,493 | 76,406,174 |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

8. INVESTMENTS IN ASSOCIATES (CONT'D)

The summarised financial information (after any fair value adjustment at acquisition date) for the associates that are material to the Group in the previous financial year is as follows: (Cont'd)

| | DSA RM | GIL RM | GL RM | Total RM |
|--|-----------|------------|-----------|-------------|
| Financial year ended 31 March 2022 | | | | |
| Revenue | 8,841,182 | 56,118,476 | 4,117,757 | 69,077,415 |
| Profit after tax/Total comprehensive income | 279,875 | 3,595,810 | 2,117,128 | 5,992,813 |
| Reconciliation of net assets to carrying amount | | | | |
| 2022 | | | | |
| Group's share of net assets | 575,538 | 13,366,398 | 1,339,299 | 15,281,235 |
| Gain on remeasuring to the fair value of the retained interests in the former subsidiaries | 1,118,344 | 7,379,051 | 818,482 | 9,315,877 |
| Carrying amount of the Group's interests in the associates | 1,693,882 | 20,745,449 | 2,157,781 | 24,597,112 |

9. OTHER INVESTMENTS

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Investments at Fair Value Through Other Comprehensive Income | | | | |
| Quoted ordinary shares, at fair value | - | 29,160,000 | - | 29,160,000 |
| Investment at Fair Value Through Profit or Loss | | | | |
| Unquoted ordinary shares, at fair value | 2,570,800 | - | 2,570,800 | - |
| | 2,570,800 | 29,160,000 | 2,570,800 | 29,160,000 |

During the financial year, the Group has disposed of its investments in Classic Scenic Berhad as this investment no longer suited the Group's investment strategy. The shares sold had a fair value of RM32,004,760 (2022 - Nil) at the time of sale and the Group realised a cumulative gain of RM3,744,760 (2022 - Nil) by transferring the associated fair value reserve to retained profits to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

10. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|--------------------|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Trade receivables | | | | |
| Third parties | 54,213,702 | 53,270,088 | - | - |
| Related parties | 5,469,946 | 1,543,038 | - | - |
| Associate | - | 92,508 | - | - |
| Less: Impairment loss on third party receivables | (2,039,810) | (1,767,897) | - | - |
| | <u>57,643,838</u> | <u>53,137,737</u> | <u>-</u> | <u>-</u> |
| Other receivables | | | | |
| Subsidiaries | - | - | 77,834,836 | 107,975,638 |
| Less: Impairment loss on subsidiaries | - | - | (3,601,176) | - |
| Other receivables | 10,940,288 | 1,410,828 | - | - |
| Related parties | - | 96,592 | - | 96,592 |
| Associate | - | 16,953 | - | - |
| Deposits | 717,245 | 485,348 | 2,000 | 2,000 |
| Prepayments | 632,249 | 436,882 | 41,152 | 15,123 |
| | <u>12,289,782</u> | <u>2,446,603</u> | <u>74,276,812</u> | <u>108,089,353</u> |
| | <u>69,933,620</u> | <u>55,584,340</u> | <u>74,276,812</u> | <u>108,089,353</u> |

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 7 to 90 (2022: 7 to 90) days.

(b) Movement of the impairment loss on third party receivables is as follows:

| Group | 2023 RM | 2022 RM |
|-----------------------------|--------------------|--------------------|
| At 1 April | (1,767,897) | (763,381) |
| Addition | (1,215,866) | (567,746) |
| Reversal | 943,953 | 79,797 |
| Acquisition of a subsidiary | - | (516,567) |
| At 31 March | <u>(2,039,810)</u> | <u>(1,767,897)</u> |

(c) Movement of the impairment loss on subsidiaries is as follows:-

| Company | 2023 RM | 2022 RM |
|-------------|--------------------|------------|
| At 1 April | - | - |
| Addition | (3,601,176) | - |
| At 31 March | <u>(3,601,176)</u> | <u>-</u> |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

10. TRADE AND OTHER RECEIVABLES (CONT'D)

- (d) Amounts owing by subsidiaries represent payments made on behalf, which are unsecured, interest-free and repayable on demand.
- (e) Amount owing by an associate in the previous financial year represents payment made on behalf, which is unsecured, interest-free and repayable on demand.
- (f) Amount owing by related parties represents payment made on behalf, which is unsecured, interest-free and repayable on demand.

11. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Fixed deposits with a licensed bank | 30,000 | 165,000 | - | - |
| Short-term investments | 4,176,875 | 17,745,257 | 4,176,875 | 17,745,257 |
| Cash and bank balances | 17,338,714 | 9,487,964 | 3,509,941 | 2,781,149 |
| As per statements of financial position | 21,545,589 | 27,398,221 | 7,686,816 | 20,526,406 |
| Fixed deposits pledged to a licensed bank | (30,000) | (165,000) | - | - |
| As per statements of cash flows | 21,515,589 | 27,233,221 | 7,686,816 | 20,526,406 |

- (a) Fixed deposits of the Group at the end of the reporting period have maturity period of 12 (2022: 12) months.
- (b) Effective interest rate of the fixed deposits of the Group is 1.60% (2022: 1.60%) per annum.
- (c) Short-term investments are investments in cash funds which are designated as fair value through profit or loss.
- (d) The cash disbursed for the purchase of property, plant and equipment and the addition of right-of-use assets is as follows:-

| | Group | |
|--|-------------|------------|
| | 2023 RM | 2022 RM |
| Property, plant and equipment | | |
| Cost of property, plant and equipment purchased | 1,381,959 | 2,933,855 |
| Right-of-use assets | | |
| Cost of right-of-use assets purchased | 2,726,266 | 8,159,641 |
| Less: Additions of new lease liabilities (Note 15) | (2,689,400) | - |
| | 36,866 | 8,159,641 |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

11. CASH AND CASH EQUIVALENTS (CONT'D)

(e) The reconciliations of liabilities arising from financing activities are as follows:

| Group | Term Loans RM | Bills Payable RM | Lease Liabilities RM | Total RM |
|--|------------------|---------------------|----------------------------|--------------|
| At 1 April 2022 | 58,294 | 2,447,000 | 15,880,629 | 18,385,923 |
| Changes in financing cash flows: | | | | |
| Proceeds from drawdown | - | 17,532,113 | - | 17,532,113 |
| Repayment of principal | (58,294) | (16,132,113) | (378,001) | (16,568,408) |
| Repayment of interest expense | (209) | (187,306) | (812,866) | (1,000,381) |
| | (58,503) | 1,212,694 | (1,190,867) | (36,676) |
| Non-cash changes | | | | |
| Finance charges recognised in profit or loss (Note 23) | 209 | 187,306 | 812,866 | 1,000,381 |
| Acquisition of new lease | - | - | 2,689,400 | 2,689,400 |
| | 209 | 187,306 | 3,502,266 | 3,689,781 |
| At 31 March 2023 | - | 3,847,000 | 18,192,028 | 22,039,028 |
| At 1 April 2021 | 17,010,689 | - | 16,147,058 | 33,157,747 |
| Changes in financing cash flows: | | | | |
| Proceeds from drawdown | - | 4,889,000 | - | 4,889,000 |
| Repayment of principal | (3,427,152) | (4,388,000) | (266,429) | (8,081,581) |
| Repayment of interest expense | (345,989) | (44,213) | (804,102) | (1,194,304) |
| | (3,773,141) | 456,787 | (1,070,531) | 4,386,885 |
| Non-cash changes | | | | |
| Acquisition of subsidiary | - | 1,946,000 | - | 1,946,000 |
| Disposal of subsidiaries | (13,525,243) | - | - | (13,525,243) |
| Finance charges recognised in profit or loss (Note 23) | 345,989 | 44,213 | 804,102 | 1,194,304 |
| | (13,179,254) | 1,990,213 | 804,102 | (10,384,939) |
| At 31 March 2022 | 58,294 | 2,447,000 | 15,880,629 | 18,385,923 |

12. SHARE CAPITAL

| Group and Company | 2023 | | 2022 | |
|----------------------|------------------|------------|------------------|------------|
| | Number of shares | RM | Number of shares | RM |
| At 1 April/ 31 March | 128,649,000 | 72,397,926 | 128,649,000 | 72,397,926 |

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

13. RETAINED EARNINGS

Company

Under the single tier tax system, tax on the Company's profits is the final tax and accordingly, any dividends to the shareholders are not subject to tax.

14. OTHER RESERVES

| | | Group | | Company | |
|----------------------|-----|------------|------------|------------|------------|
| | | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Non-distributable | | | | | |
| Fair value reserve | (a) | - | (227,851) | - | (227,851) |
| Share option reserve | (b) | 22,052 | 22,052 | 22,052 | 22,052 |
| | | 22,052 | (205,799) | 22,052 | (205,799) |

(a) Fair value reserve

The fair value reserve represents the cumulative fair value changes of investments designated at fair value through other comprehensive income.

(b) Share option reserve

The share option reserve represents the equity-settled share options granted to directors and employees of the Group.

In previous financial years, the Company granted share options to eligible directors and employees of the Group under the Share Issuance Scheme ("SIS") approved by the shareholders of the Company at the extraordinary general meeting held on 25 September 2013 to subscribe for a total of 6,400,000 ordinary shares at an exercise price of RM0.62 per share ("SIS 1"), out of which no (2022: 40,000) ordinary shares were forfeited during the financial year due to the resignations of employees and a total of nil (2022: nil) ordinary shares were exercisable at the end of the reporting period. On 27 June 2016, the Company has granted share options to eligible directors and employees of the Group under the SIS to subscribe for a total of 845,000 ordinary shares at an exercise price of RM0.68 per share ("SIS 2"), out of which no (2022: 2,000) ordinary shares were forfeited due to the resignations of employees and a total of nil (2022: 32,000) ordinary shares are exercisable at the end of the reporting period. On 28 April 2017, the Company has granted share options to eligible directors and employees of the Group under the SIS to subscribe for a total of 1,055,000 ordinary shares at an exercise price of RM0.88 per share ("SIS 3"), out of which no (2022: 29,000) ordinary shares were forfeited due to the resignations of employees and a total of nil (2022: 10,000) ordinary shares were exercisable at the end of the reporting period. On 3 September 2018, the Company has granted share options to eligible directors and employees of the Group under the SIS to subscribe for a total of 2,328,000 ordinary shares at an exercise price of RM0.55 per share ("SIS 4"), out of which no (2022: nil) ordinary shares were forfeited due to the resignations of employees and a total of nil (2022: 20,000) ordinary shares were exercisable at the end of the reporting period.

The share options granted are exercisable at any time from the date of offer up to the date of expiry on 18 November 2018 subject to a maximum percentage of 100% (2022: 100%) of the total number of share options granted in each year from the date of offer. Where the maximum percentage of the share options for a particular period is not fully exercised, the unexercised share options shall be carried forward to the next period and shall not be subject to the maximum percentage for the next period.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

14. OTHER RESERVES (CONT'D)

(b) Share option reserve (Cont'd)

On 4 September 2018, the Board has approved to extend its existing SISs' tenure which is expiring on 18 November 2018 for another 5 years until 18 November 2023. These options are exercisable on the specified exercisable period and stated in the SIS By-Laws subject to the options being vested as follows:

| | From 19.11.2018 | From 1.4.2019 | From 1.4.2020 |
|-------|--------------------|------------------|------------------|
| SIS 1 | 20% | 80% | - |
| SIS 2 | - | 50% | 50% |
| SIS 3 | - | 50% | 50% |
| SIS 4 | 100% | - | - |

The number and weighted average exercise prices ("WAEP") of share options are as follows:

| Company | 2023 | | 2022 | |
|----------------------------------|--------|----------------------|--------|----------------------|
| | WAEP | Number of options | WAEP | Number of options |
| SIS 1 | | | | |
| Outstanding at 1 April 2022/2021 | RM0.62 | - | RM0.62 | 40,000 |
| Exercised | RM0.62 | - | RM0.62 | - |
| Forfeited | RM0.62 | - | RM0.62 | (40,000) |
| Outstanding at 31 March | RM0.62 | - | RM0.62 | - |
| SIS 2 | | | | |
| Outstanding at 1 April 2022/2021 | RM0.68 | 32,000 | RM0.68 | 34,000 |
| Exercised | RM0.68 | - | RM0.68 | - |
| Forfeited | RM0.68 | - | RM0.68 | (2,000) |
| Outstanding at 31 March | RM0.68 | 32,000 | RM0.68 | 32,000 |
| SIS 3 | | | | |
| Outstanding at 1 April 2022/2021 | RM0.88 | 10,000 | RM0.88 | 39,000 |
| Exercised | RM0.88 | - | RM0.88 | - |
| Forfeited | RM0.88 | - | RM0.88 | (29,000) |
| Outstanding at 31 March | RM0.88 | 10,000 | RM0.88 | 10,000 |
| SIS 4 | | | | |
| Outstanding at 31 March | RM0.88 | 10,000 | RM0.88 | 10,000 |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

14. OTHER RESERVES (CONT'D)

(b) Share option reserve (Cont'd)

The number and weighted average exercise prices ("WAEP") of share options are as follows:
(continued)

| Company | 2023 | | 2022 | |
|----------------------------------|--------|-------------------|--------|-------------------|
| | WAEP | Number of options | WAEP | Number of options |
| SIS 4 | | | | |
| Outstanding at 1 April 2022/2021 | RM0.55 | 20,000 | RM0.55 | 20,000 |
| Granted | RM0.55 | - | RM0.55 | - |
| Exercised | RM0.55 | - | RM0.55 | - |
| Forfeited | RM0.55 | - | RM0.55 | - |
| Outstanding at 31 March | RM0.55 | 20,000 | RM0.55 | 20,000 |
| Exercisable at 31 March | RM0.55 | 20,000 | RM0.55 | 20,000 |

The fair value of share options is measured using Black-Scholes model taking into account the following assumptions:

| | SIS 1 | SIS 2 | SIS 3 | SIS 4 |
|------------------------------|---------|----------|----------|---------|
| Fair value at grant date | RM0.217 | RM0.122 | RM0.266 | RM0.266 |
| Exercise price | RM0.62 | RM0.68 | RM0.88 | RM0.55 |
| Share price at grant date | RM0.69 | RM0.75 | RM1.03 | RM0.60 |
| Weighted average share price | RM0.65 | RM0.71 | RM1.00 | RM0.60 |
| Expected life | 5 years | 874 days | 569 days | 76 days |
| Expected dividend yield | 0% | 0% | 0% | 0% |
| Expected volatility | 22.62% | 8.19% | 32.55% | 15.06% |
| Risk-free rate | 3.10% | 3.05% | 3.05% | 3.05% |

15. LEASE LIABILITIES

| Group | 2023 RM | 2022 RM |
|---|------------|------------|
| At 1 April 2022/2021 | 15,880,629 | 16,147,058 |
| Additions | 2,689,400 | - |
| Interest expense recognised in profit or loss (Note 23) | 812,866 | 804,102 |
| Repayment of principal | (378,001) | (266,429) |
| Repayment of interest expense | (812,866) | (804,102) |
| At 31 March | 18,192,028 | 15,880,629 |
| Analysed by: | | |
| Current liabilities | 1,085,704 | 263,332 |
| Non-current liabilities | 17,106,324 | 15,617,297 |
| | 18,192,028 | 15,880,629 |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

16. DEFERRED TAX LIABILITIES

(a) Deferred tax liabilities and assets are made up as follows:

| Group | 2023 RM | 2022 RM |
|---|------------|------------|
| At 1 April 2022/2021 | 1,279,235 | 1,878,984 |
| Recognised in profit or loss (Note 24) | (244,511) | (599,749) |
| At 31 March | 1,034,724 | 1,279,235 |
| Presented after appropriate offsetting: | | |
| Deferred tax assets | (928,313) | (630,120) |
| Deferred tax liabilities | 1,963,037 | 1,909,355 |
| | 1,034,724 | 1,279,235 |

(b) Components and movements of deferred tax liabilities and assets prior to offsetting are as follows:

| Deferred tax liabilities | Property, plant and equipment RM | Total RM |
|------------------------------|--|-------------|
| Group | | |
| At 1 April 2021 | 2,069,727 | 2,069,727 |
| Recognised in profit or loss | (160,372) | (160,372) |
| At 31 March/1 April 2022 | 1,909,355 | 1,909,355 |
| Recognised in profit or loss | 53,682 | 53,682 |
| At 31 March 2023 | 1,963,037 | 1,963,037 |

| Deferred tax assets | Unutilised tax losses RM | Unabsorbed capital allowances RM | Provisions RM | Total RM |
|-------------------------------|--------------------------------|---|------------------|-------------|
| Group | | | | |
| At 31 March/1 April 2021 | (3,976) | (168,651) | (18,116) | (190,743) |
| Recognised in profit or loss | (102,978) | (201,055) | (135,344) | (439,377) |
| At 31 March 2022/1 April 2022 | (106,954) | (369,706) | (153,460) | (630,120) |
| Recognised in profit or loss | (149,267) | (148,926) | - | (298,193) |
| At 31 March 2023 | (256,221) | (518,632) | (153,460) | (928,313) |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

16. DEFERRED TAX LIABILITIES (CONT'D)

- (c) Amounts of temporary differences for which no deferred tax assets have been recognised are as follows:

| Group | 2023 RM | 2022 RM |
|-------------------------------|------------------|------------------|
| Property, plant and equipment | (67,835) | (142,129) |
| Unutilised tax losses | 3,296,493 | 1,381,653 |
| Others | 1,763,519 | 899,856 |
| | <u>4,992,177</u> | <u>2,139,380</u> |

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiaries will be available against which the deductible temporary differences can be utilised.

17. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|-----------------------|-------------------|------------------|----------------|----------------|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Trade payables | | | | |
| Third parties | 4,609,241 | 3,914,005 | - | - |
| Related parties | 18,800 | 29,594 | - | - |
| Associates | - | 26,515 | - | - |
| | <u>4,628,041</u> | <u>3,970,114</u> | - | - |
| Other payables | | | | |
| Other payables | 3,542,745 | 1,174,878 | 8,974 | 1,039 |
| Related parties | - | 303,033 | - | - |
| Accruals | 2,015,604 | 1,132,796 | 121,535 | 226,463 |
| | <u>5,558,349</u> | <u>2,610,707</u> | <u>130,509</u> | <u>227,502</u> |
| | <u>10,186,390</u> | <u>6,580,821</u> | <u>130,509</u> | <u>227,502</u> |

- (a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 14 to 90 (2022: 14 to 90) days.
- (b) Amounts owing to related parties represent advances and payments made on behalf which are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

18. BORROWINGS

| Group | 2023 RM | 2022 RM |
|-------------------------|------------------|------------------|
| Bills payable | 3,847,000 | 2,447,000 |
| Term loan | - | 58,294 |
| | <u>3,847,000</u> | <u>2,505,294</u> |
| Current portion | | |
| Repayable within 1 year | <u>3,847,000</u> | <u>2,505,294</u> |

- (a) The effective interest rate of bills payable ranging from 3.07% to 4.80% (2022: 3.07% to 3.15%) per annum. The bills payable is secured by a corporate guarantee issued by the Company.
- (b) Term loans are secured by:
- a corporate guarantee of the Company as disclosed in Note 20;
 - certain property, plant and equipment of the Group as disclosed in Note 5; and
 - certain right-of-use assets of the Group as disclosed in Note 6.

Details of term loans are as follows:

| | | 2023 RM | 2022 RM |
|-------------|--|---------------------------------------|--|
| Term loan I | | - | 58,294 |
| | | <u>-</u> | <u>58,294</u> |
| | Number of monthly instalments | Monthly instalments RM | Commencement month of repayment |
| | | | Effective interest rate per annum 2023 2022 % % |
| Term loan I | 60 | 58,334 | May 2017 |
| | | | <u>- 4.22</u> |

* The monthly instalments comprising principal loan repayment only.

Information on the financial risks of term loans are disclosed in Note 33.1(c).

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

19. CAPITAL COMMITMENT

| Group | 2023 RM | 2022 RM |
|---|------------|------------|
| Approved and contracted for: Purchase of property, plant and equipment | 355,200 | 286,766 |

20. FINANCIAL GUARANTEE CONTRACTS

| Company | 2023 RM | 2022 RM |
|--|------------|------------|
| Secured | | |
| Corporate guarantee given to licensed banks for banking and credit facilities granted to certain subsidiaries | 3,847,000 | 2,505,294 |
| Corporate guarantee given to suppliers for purchase of goods | 420,177 | 98,280 |
| | 4,267,177 | 2,603,574 |

21. REVENUE

| | Group | | Company | |
|---------------------------------------|-------------|-------------|------------|------------|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Timing of revenue recognition: | | | | |
| Over time: | | | | |
| Rendering of services | 40,360,160 | 24,165,746 | - | - |
| Management fee receivable | - | - | - | 42,000 |
| At a point in time: | | | | |
| Sale of goods | 122,026,616 | 89,866,694 | - | - |
| Dividend income from subsidiaries | - | - | 1,600,000 | 1,747,000 |
| | 162,386,776 | 114,032,440 | 1,600,000 | 1,789,000 |

22. COST OF SALES

| Group | 2023 RM | 2022 RM |
|-------------------|-------------|-------------|
| Purchase of goods | 116,213,285 | 85,725,007 |
| Services rendered | 34,617,534 | 19,536,282 |
| | 150,830,819 | 105,261,289 |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

23. PROFIT BEFORE TAX

| | Group | | Company | |
|--|-------------|-------------|-------------|------------|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Profit before tax is arrived at after (charging)/crediting: | | | | |
| Auditors' remuneration: | | | | |
| Statutory audit | | | | |
| - current year | (166,800) | (196,075) | (50,000) | (105,500) |
| - underprovision in prior years | (5,000) | (31,300) | (5,000) | (40,000) |
| Other audit services | (5,000) | (5,000) | (5,000) | (5,000) |
| Bad debts | (43,480) | (40,264) | - | (40,264) |
| Depreciation of property, plant and equipment (Note 5) | (2,677,370) | (2,892,024) | (83) | (250) |
| Depreciation of right-of-use assets (Note 6) | (892,208) | (890,554) | - | - |
| Directors' remuneration: | | | | |
| Directors of the Company | | | | |
| - fees | (153,484) | (105,677) | (153,484) | (105,677) |
| - other emoluments | (670,331) | (607,283) | (31,750) | (217,134) |
| Directors of the subsidiaries | | | | |
| - other emoluments | (258,791) | (130,683) | - | - |
| Impairment loss on: | | | | |
| - investment in subsidiaries | - | - | (3,200,242) | - |
| - trade receivables (Note 10) | (1,215,866) | (567,746) | - | - |
| - amount owing by subsidiaries | - | - | (3,601,176) | - |
| Interest expense on: | | | | |
| - lease liabilities (Note 15) | (812,866) | (804,102) | - | - |
| - term loans (Note 11) | (209) | (345,989) | - | - |
| - bills payable (Note 11) | (187,306) | (44,213) | - | - |
| Property, plant and equipment written off (Note 5) | (6,986) | (285) | (499) | - |
| Realised loss on foreign exchange | (6,127) | (5,924) | - | - |
| Unrealised loss on foreign exchange | (10,349) | (5,712) | - | - |
| Reversal of impairment loss on trade receivables (Note 10) | 943,953 | 79,797 | - | - |
| Realised gain on foreign exchange | 11,115 | 21,861 | - | - |
| Unrealised gain on foreign exchange | 60,156 | - | - | - |
| Dividend income from subsidiaries (Note 21) | - | - | 1,600,000 | 1,747,000 |
| Gain on disposals of investment:- | | | | |
| - quoted investment | 3,744,760 | - | 3,744,760 | - |
| - investment in associate | 5,914 | - | 3,798,752 | - |
| Gain on disposals of subsidiaries | - | 11,219,950 | - | 17,953,112 |
| Gain on disposal of property, plant and equipment | 40,496 | 995,576 | - | - |
| Interest income from: | | | | |
| - fixed deposits | 12,621 | - | - | - |
| - short-term investments | 578,979 | 336,025 | 231,619 | 336,025 |
| - others | 40,323 | 49,356 | 17,539 | 41,671 |
| Rental income from factory building | 1,334,542 | 611,665 | - | - |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

24. INCOME TAX EXPENSE/(CREDIT)

| | Group | | Company | |
|-------------------------------|------------|------------|------------|------------|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Current tax | 1,964,022 | 1,443,496 | - | 90,635 |
| Deferred tax (Note 16) | (354,853) | (526,997) | - | - |
| | 1,609,169 | 916,499 | - | 90,635 |
| Overprovision in prior years: | | | | |
| Current tax | 9,149 | (14,737) | (82,810) | (51,512) |
| Deferred tax (Note 16) | 110,342 | (72,752) | - | - |
| | 119,491 | (87,489) | (82,810) | (51,512) |
| | 1,728,660 | 829,010 | (82,810) | 39,123 |

Current tax expense is calculated at the statutory tax rate of 24% (2022: 24%) of the estimated taxable profit for the fiscal year.

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the statutory tax rate of the Group and the Company is as follows:

| | Group | | Company | |
|---|------------|-------------|-------------|-------------|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Profit before tax | 5,487,299 | 13,548,517 | 1,542,213 | 18,673,075 |
| Tax rate of 24% (2022: 24%) | 1,316,952 | 3,251,644 | 370,131 | 4,481,538 |
| Tax effects in respect of: | | | | |
| Non-allowable expenses | 55,618 | 877,933 | 1,828,521 | 417,770 |
| Non-taxable income | (430,409) | (3,349,172) | (2,198,652) | (4,808,673) |
| Deferred tax assets not recognised | 684,671 | 136,094 | - | - |
| Utilisation of deferred tax assets in previously not recognised | (17,663) | - | - | - |
| | 1,609,169 | 916,499 | - | 90,635 |
| Overprovision in prior years: | | | | |
| Current tax | 9,149 | (14,737) | (82,810) | (51,512) |
| Deferred tax | 110,342 | (72,752) | - | - |
| | 1,728,660 | 829,010 | (82,810) | 39,123 |

Subject to the agreement of the Inland Revenue Board, certain subsidiaries have unabsorbed capital allowances and unutilised tax losses amounting to approximately RM1,553,000 (2022: RM1,768,000) and RM3,297,000 (2022: RM3,052,000) respectively which are available to offset against their future taxable profits.

The unused tax losses expire at end of the year of assessment 2025 but the unabsorbed capital allowances can be carried forward indefinitely to be utilised against income from the same business source, subject to no substantial change in shareholders of the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

25. DIVIDENDS

| | 2023 | | 2022 | |
|-----------------------------------|-----------------------------|-----------------------|-----------------------------|-----------------------|
| | Gross dividend per share RM | Amount of dividend RM | Gross dividend per share RM | Amount of dividend RM |
| Interim single-tier dividend paid | 0.40 | 51,459,600 | - | - |

26. EARNINGS PER ORDINARY SHARE

(a) Basic

The basic earnings per ordinary share has been calculated based on the consolidated profit after tax attributable to the owners of the Company divided by the weighted average number of ordinary shares in issue during the financial year.

| Group | 2023 RM | 2022 RM |
|---|-------------|-------------|
| Profit after tax (RM) | 4,122,739 | 12,874,460 |
| Weighted average number of ordinary shares in issue | 128,649,000 | 128,649,000 |
| Basic earnings per ordinary share (sen) | 3.2 | 10.0 |

(b) Diluted

The diluted earnings per ordinary share has been calculated based on the consolidated profit after tax attributable to the owners of the Company divided by the weighted average number of ordinary shares in issue after adjustment for the effects all dilutive potential ordinary shares during the financial year.

| Group | 2023 RM | 2022 RM |
|--|-------------|-------------|
| Profit after tax (RM) | 4,122,739 | 12,874,460 |
| Weighted average number of ordinary shares for basic earnings per share | 128,649,000 | 128,649,000 |
| Effect of share options issued | - | 42,210 |
| Weighted average number of ordinary share for diluted earnings per share | 128,649,000 | 128,691,210 |
| Diluted earnings per ordinary share (sen) | 3.2 | 10.0 |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

27. EMPLOYEE BENEFITS

| | Group | | Company | |
|-------------------------------|------------|------------|------------|------------|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Wages, salaries and bonuses | 7,077,017 | 4,599,999 | - | - |
| Defined contribution plans | 934,752 | 587,047 | - | - |
| Social security contributions | 81,886 | 53,324 | - | - |
| Other benefits | 347,063 | 211,757 | - | - |
| | 8,440,718 | 5,452,127 | - | - |

28. DIRECTORS' REMUNERATION

Aggregate amounts of emoluments received and receivable by the Directors during the financial year are as follows:

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Executive Directors: | | | | |
| Non-fee emoluments | 571,561 | 496,919 | - | 148,152 |
| Defined contribution plans | 67,020 | 59,114 | - | 17,732 |
| Executive directors of the subsidiaries: | | | | |
| Non-fee emoluments | 231,395 | 116,739 | - | - |
| Defined contribution plans | 27,396 | 13,944 | - | - |
| Non-executive Directors: | | | | |
| Fees | 153,484 | 105,677 | 153,484 | 105,677 |
| Other emoluments | 31,750 | 51,250 | 31,750 | 51,250 |
| | 1,082,606 | 843,643 | 185,234 | 322,811 |

In previous financial years, the Company granted share options to eligible key management personnel of the Group under the Share Issuance Scheme ("SIS") to subscribe for a total of 3,030,000 ordinary shares at an exercise price of RM0.62 per share ("SIS 1"), out of which no (2022: nil) ordinary shares were exercisable at the end of the reporting period. On 27 June 2016, the Company has granted share options to an eligible director of the subsidiary under the SIS to subscribe for a total of 10,000 ordinary shares at an exercise price of RM0.68 per share ("SIS 2"), out of which no ordinary shares was exercisable at the end of the reporting period. On 28 April 2017, the Company granted share options to an eligible director of the subsidiary under the SIS to subscribe for a total of 50,000 ordinary shares at an exercise price of RM0.88 per share ("SIS 3"), out of which no (2022: nil) ordinary shares were exercisable at the end of the reporting period. On 3 September 2018, the Company granted share options to an eligible director of the subsidiary under the SIS to subscribe for a total of 110,000 ordinary shares at an exercise price of RM0.55 per share ("SIS 4"), out of which no ordinary shares was exercisable at the end of the reporting period.

During the financial year, no (2022: nil) ordinary shares under the SIS were exercised by the eligible key management personnel of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

29. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group/ Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties of the Group and the Company include:

- (i) its subsidiaries;
 - (ii) its associates;
 - (iii) close family members of certain directors of the Company and the subsidiaries;
 - (iv) companies in which certain directors of the Company and the subsidiaries have direct and indirect financial interests; and
 - (v) key management personnel which comprises persons (including the directors of the Company and of the subsidiaries) having authority and responsibility for planning, directing and controlling the activities of the Company and the subsidiaries directly or indirectly.
- (b) In addition to the transactions detailed elsewhere in the financial statements, the Group has carried out the following transactions with the related parties during the financial year:

| | 2023 RM | 2022 RM |
|--|------------|------------|
| Group | | |
| Companies in which a former Director has interests: | | |
| Revenue from sales of goods and services rendered | - | 23,909 |
| Forwarding service charges payable | - | (1,391) |
| Spare parts, tyres, tyres maintenance services and consumables payable | - | (74,769) |
| Companies in which a major shareholder has interests: | | |
| Revenue from services rendered | 1,001,743 | 463,303 |
| Companies in which a Director of subsidiary has interests: | | |
| Revenue from sales of goods | 5,244,347 | 2,061,430 |
| Purchase of goods payable | (202,928) | (16,064) |
| Provide of internet, software, hardware & maintenance service payable | (209,117) | - |
| Rental expenses payable | (21,000) | - |
| Company | | |
| Dividend income from subsidiaries | 1,600,000 | 1,747,000 |
| Management fee receivable from a subsidiary | - | 42,000 |
| Management fee payable to a subsidiary | (149,000) | (99,000) |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

29. RELATED PARTY DISCLOSURES (CONT'D)

(c) Compensation of key management personnel

The remunerations of key management personnel are as follows:

| Group | 2023 RM | 2022 RM |
|------------------------------|------------|------------|
| Short-term employee benefits | 999,017 | 856,728 |
| Defined contribution plans | 117,516 | 102,134 |
| | 1,116,533 | 958,862 |

In previous financial years, the Company granted share options to eligible key management personnel of the Group under the Share Issuance Scheme ("SIS") to subscribe for a total of 3,030,000 ordinary shares at an exercise price of RM0.62 per share ("SIS 1"), out of which no (2022: nil) ordinary shares were exercisable at the end of the reporting period. On 27 June 2016, the Company has granted share options to an eligible director of the subsidiary under the SIS to subscribe for a total of 10,000 ordinary shares at an exercise price of RM0.68 per share ("SIS 2"), out of which no ordinary shares was exercisable at the end of the reporting period. On 28 April 2017, the Company granted share options to an eligible director of the subsidiary under the SIS to subscribe for a total of 50,000 ordinary shares at an exercise price of RM0.88 per share ("SIS 3"), out of which no (2022: nil) ordinary shares were exercisable at the end of the reporting period. On 3 September 2018, the Company granted share options to an eligible director of the subsidiary under the SIS to subscribe for a total of 110,000 ordinary shares at an exercise price of RM0.55 per share ("SIS 4"), out of which no ordinary shares was exercisable at the end of the reporting period.

During the financial year, no (2022: nil) ordinary shares under the SIS were exercised by the eligible key management personnel of the Group.

30. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

- (a) In the previous financial year, the Company had acquired 50% remaining equity interest in Channel Legion Sdn. Bhd. ("CNSB") consisting of 250,000 ordinary shares for a total consideration of RM5,000,000. After the acquisition, CNSB became a wholly-owned subsidiary of the Company. The acquisition does not have any effect on the financial results of the Group. The carrying amount of CNSB's net assets in the Group's financial statements on that date was RM186,105. The group recognised a decrease in non-controlling interest of RM186,105 and a decrease in retained profits of RM4,813,895.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

30. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONT'D)

- (b) In the previous financial year, the Company had acquired 100% equity interest in Hextar Marketing Sdn. Bhd. Consisting of 100,000 ordinary shares for a total consideration of RM200,000.

Details of the acquisitions are as follows:-

| | Group RM | Company RM |
|--|-------------|---------------|
| Trade and other receivables | (6,371,102) | - |
| Cash and cash equivalents | (796,996) | - |
| Trade and other payables | 4,872,313 | - |
| Contract liabilities | 135,791 | - |
| Tax liabilities | 13,994 | - |
| Borrowings | 1,946,000 | - |
| Fair value of net identifiable assets acquired | (200,000) | - |
| Investments in subsidiaries | - | (200,000) |
| Consideration paid | (200,000) | (200,000) |
| Cash and cash equivalents of a subsidiary acquired | 796,996 | - |
| Net cash inflow/(outflow) on acquisitions | 596,996 | (200,000) |

The subsidiary acquired had contributed a net profit of RM38,604 to the Group's financial results from the date of acquisition. There were no material impacts to the Group's revenue and profit after tax if the acquisition had occurred on 1 April 2021.

31 Disposal of subsidiaries

- (a) In the previous financial year, the Company had disposed of 65% equity interest in Ecocentre Sdn Bhd for a cash consideration of RM73,000.
- (b) In the previous financial year, the Company had disposed of 35% equity interest in CIBC Technology Sdn Bhd (formerly known as Sierra Jaya Sdn Bhd) for a cash consideration of RM105,000. The carrying amount of CIBC Technology Sdn Bhd's net assets in the Group's financial statements on that date was RM99,854. The Group recognised an increase in non-controlling interest of RM34,949 and an increase in retained profits of RM70,051.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

31 DISPOSAL OF SUBSIDIARIES (CONT'D)

- (c) In the previous financial year, the Company had disposed of the entire equity interest in Guper Resources Sdn Bhd and Ultra Trinity Sdn Bhd for cash consideration of RM16,946,000 and RM5,506,000 respectively.

In the previous financial year the Company disposed of the entire equity interest in Malsuria Logistics Sdn Bhd for a cash consideration of RM2,000.

Detail of the disposal are as follows:-

| | Group RM | Company RM |
|---|--------------|---------------|
| Investment in subsidiaries | - | 2,442,200 |
| Property, plant and equipment | 21,241,595 | - |
| Right-of-use assets | 20,958,942 | - |
| Trade and other receivables | 851,691 | - |
| Amount owing from director | 124,341 | - |
| Tax recoverable | 87,580 | - |
| Cash and bank balances | 367,939 | - |
| Trade and other payable | (1,212,926) | - |
| Amount owing to director | (329,019) | - |
| Amount owing to holding company | (19,026,044) | - |
| Amount owing to related companies | (429,362) | - |
| Borrowings | (13,525,243) | - |
| Non-controlling interests | (39,332) | - |
| Carrying amount of net assets disposed of | 9,070,162 | 2,442,000 |
| Gain on disposals of subsidiaries | 11,219,950 | 17,953,112 |
| Net disposals proceeds | 20,290,112 | 20,395,112 |
| Cash and cash equivalents of subsidiaries disposed of | (367,939) | - |
| Net cash inflow on disposals of subsidiaries | 19,922,173 | 20,395,112 |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

32. OPERATING SEGMENTS

(a) Business segments

Segment information is presented based on the Group's business segments which are also the Group's management and internal reporting structure.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Intersegment pricing is determined based on negotiated terms.

The Group's operations comprise the following business segments:

| | | |
|-------------|---|---|
| Logistics | : | Total logistic services provider including lorry transportation services (tanker, general cargo, side curtain), project logistics and freighting services |
| Warehousing | : | Provision of warehouse for renting |
| Trading | : | Trading of building materials |
| Others | : | Technology business, insurance agency, investment holding and others |

(b) Geographical segments

Geographical segment has not been presented as the Group's current activities are predominantly carried out in Malaysia.

(c) Major customers

The following are major customers with revenue equal to or more than 10% of the Group's total revenue:

| | Revenue | | Segment |
|-------------|------------|------------|---------|
| | 2023 RM | 2022 RM | |
| Customer #1 | 55,353,375 | 14,433,485 | Trading |
| Customer #2 | - | 48,855,190 | Trading |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

32. OPERATING SEGMENTS (CONT'D)

(a) Business segments (Cont'd)

| | Logistics RM | Warehousing RM | Trading RM | Others RM | Elimination RM | Total RM |
|--------------------------|-------------------|-------------------|--------------------|------------------|--------------------|--------------------|
| 2023 | | | | | | |
| Revenue | | | | | | |
| External revenue | 36,649,592 | 3,673,935 | 122,026,616 | 36,633 | - | 162,386,776 |
| Intersegment revenue | 147,000 | - | - | 3,904,000 | (4,051,000) | - |
| | 36,796,592 | 3,673,935 | 122,026,616 | 3,940,633 | (4,051,000) | 162,386,776 |
| Results | | | | | | |
| Segment results | 2,926,699 | 3,227,279 | 1,691,285 | (497,421) | 2,077,494 | 9,425,336 |
| Depreciation | (1,994,949) | (1,017,014) | (484,819) | (72,797) | - | (3,569,579) |
| Interest income | 25,886 | - | 351,977 | 254,060 | - | 631,923 |
| Finance costs | (19,043) | (794,032) | (187,306) | - | - | (1,000,381) |
| Profit/(Loss) before tax | 938,593 | 1,416,233 | 1,371,137 | (316,158) | 2,077,494 | 5,487,299 |
| Tax expense | (540,488) | (589,051) | (644,177) | 45,056 | - | (1,728,660) |
| Profit/(Loss) after tax | 398,105 | 827,182 | 726,960 | (271,102) | 2,077,494 | 3,758,639 |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

32. OPERATING SEGMENTS (CONT'D)

(a) Business segments (Cont'd)

| 2022 | Logistics RM | Warehousing RM | Marine RM | Trading RM | Others RM | Elimination RM | Total RM |
|--------------------------|-----------------|-------------------|--------------|---------------|--------------|-------------------|-------------|
| Revenue | | | | | | | |
| External revenue | 17,898,473 | 5,745,496 | 410,021 | 89,868,388 | 110,062 | - | 114,032,440 |
| Intersegment revenue | - | - | - | - | 2,775,000 | (2,775,000) | - |
| | 17,898,473 | 5,745,496 | 410,021 | 89,868,388 | 2,885,062 | (2,775,000) | 114,032,440 |
| Results | | | | | | | |
| Segment results | (726,796) | 4,974,966 | 541,642 | 2,316,300 | 11,582,343 | (548,437) | 18,140,018 |
| Depreciation | (1,933,814) | (1,417,441) | - | (425,108) | (6,215) | - | (3,782,578) |
| Interest income | 4,614 | - | 1,768 | 1,117 | 377,882 | - | 385,381 |
| Finance costs | (18,545) | (1,131,546) | - | (44,213) | - | - | (1,194,304) |
| (Loss)/Profit before tax | (2,674,541) | 2,425,979 | 543,410 | 1,848,096 | 11,954,010 | (548,437) | 13,548,517 |
| Tax expense | 537,163 | (857,189) | - | (428,916) | (80,068) | - | (829,010) |
| (Loss)/Profit after tax | (2,137,378) | 1,568,790 | 543,410 | 1,419,180 | 11,873,942 | (548,437) | 12,719,507 |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

33. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

33.1 Financial risk management policies

The Group's policies in respect of the major areas of treasury activity are as follows:

- (a) Market risk
 - (i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk is primarily United States Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

| | United States Dollar RM | Ringgit Malaysia RM | Total RM |
|---|-------------------------------|---------------------------|--------------|
| 2023 | | | |
| Financial assets | | | |
| Other investment | - | 2,570,800 | 2,570,800 |
| Trade and other receivables | 383,321 | 68,200,805 | 68,584,126 |
| Cash and cash equivalents | 635,323 | 20,910,266 | 21,545,589 |
| | 1,018,644 | 91,681,871 | 92,700,515 |
| Financial liabilities | | | |
| Trade and other payables | - | (10,186,390) | (10,186,390) |
| Borrowings | - | (3,847,000) | (3,847,000) |
| | - | (14,033,390) | (14,033,390) |
| Net financial assets | 1,018,644 | 77,648,481 | 78,667,125 |
| Less: Net financial assets denominated in the respective entities functional currencies | - | (77,648,481) | (77,648,481) |
| Currency exposure | 1,018,644 | - | 1,018,644 |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

The Group's policies in respect of the major areas of treasury activity are as follows: (Cont'd)

(a) Market risk (Cont'd)

(i) Foreign currency risk (Cont'd)

| | United States Dollar RM | Ringgit Malaysia RM | Total RM |
|---|-------------------------------|---------------------------|---------------|
| 2022 | | | |
| Financial assets | | | |
| Other investment | - | 29,160,000 | 29,160,000 |
| Trade and other receivables | 45,319 | 54,616,791 | 54,662,110 |
| Cash and cash equivalents | 488,506 | 26,909,715 | 27,398,221 |
| | 533,825 | 110,686,506 | 111,220,331 |
| Financial liabilities | | | |
| Trade and other payables | (23,127) | (6,557,694) | (6,580,821) |
| Borrowings | - | (2,505,294) | (2,505,294) |
| | (23,127) | (9,062,988) | (9,086,115) |
| Net financial assets | 510,698 | 101,623,518 | 102,134,216 |
| Less: Net financial assets denominated in the respective entities functional currencies | - | (101,623,518) | (101,623,518) |
| Currency exposure | 510,698 | - | 510,698 |

Foreign currency risk sensitivity analysis

Any reasonably possible change in the foreign currency exchange rates at the end of the reporting period against the respective functional currencies of the entities within the Group does not have a material impact on the profit after taxation and other comprehensive income of the Group and of the Company and hence, no sensitivity analysis is presented.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

The Group's policies in respect of the major areas of treasury activity are as follows: (Cont'd)

(a) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:

| | 2023 Decrease/ (Increase) RM | 2022 Decrease/ (Increase) RM |
|---|---------------------------------------|---------------------------------------|
| Group | | |
| Effects on profit after tax/other comprehensive income: | | |
| Increase of 100 basis points | (29,237) | (19,040) |
| Decrease of 100 basis points | 29,237 | 19,040 |

(iii) Equity price risk

The Group does not have any quoted investments and hence, is not presented exposed to equity price risk.

(b) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and corporate guarantee given to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

(i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by 1 (2022: 2) customers which constituted approximately 42% (2022: 71%) of its trade receivables as at the end of the reporting period.

(ii) Maximum exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

The Group's policies in respect of the major areas of treasury activity are as follows: (Cont'd)

(b) Credit risk (Cont'd)

(iii) Assessment of impairment loss

At each reporting date, the Group assess whether any of the financial assets at amortised cost and contract assets are impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

A financial asset is credit impaired when any of following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:

- Significant financial difficult of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty;
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

The Group uses a more lagging past due criterion for trade receivables when it is more appropriate to reflect their loss patterns.

Trade receivables and Contract Assets

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

To measure the expected credit losses, trade receivables including related parties and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

The expected loss rates are based on the payment profiles of sales over a period of 36 (2022: 36) months before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

The Group's policies in respect of the major areas of treasury activity are as follows: (Cont'd)

(b) Credit risk (Cont'd)

(iii) Assessment of impairment loss (Cont'd)

Trade receivables and Contract Assets (Cont'd)

Inputs, Assumptions and Techniques used for Estimating Impairment Losses (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables and contract assets are summarised below:

| | Gross amount RM | Individual impairment RM | Collective impairment RM | Carrying amount RM |
|-------------------------|-----------------------|--------------------------------|--------------------------------|--------------------------|
| Group | | | | |
| 2023 | | | | |
| Current (not past due) | 43,490,098 | - | - | 43,490,098 |
| 1 to 90 days past due | 10,537,523 | - | - | 10,537,523 |
| 91 to 120 days past due | 2,912,886 | - | - | 2,912,886 |
| Over 120 days past due | 2,743,141 | (540,471) | (1,499,339) | 703,331 |
| Trade receivables | 59,683,648 | (540,471) | (1,499,339) | 57,643,838 |
| Contract assets | 24,237 | - | - | 24,237 |
| | 59,707,885 | (540,471) | (1,499,339) | 57,668,075 |
| 2022 | | | | |
| Current (not past due) | 26,962,357 | - | - | 26,962,357 |
| 1 to 90 days past due | 24,599,977 | - | - | 24,599,977 |
| 91 to 120 days past due | 264,213 | - | - | 264,213 |
| Over 120 days past due | 3,079,087 | (1,452,821) | (315,076) | 1,311,190 |
| Trade receivables | 54,905,634 | (1,452,821) | (315,076) | 53,137,737 |
| Contract assets | 83,249 | - | - | 83,249 |
| | 54,988,883 | (1,452,821) | (315,076) | 53,220,986 |

The movements in the loss allowances in respect of trade receivables are disclosed in Note 10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

The Group's policies in respect of the major areas of treasury activity are as follows: (Cont'd)

(b) Credit risk (Cont'd)

(iii) Assessment of impairment loss (Cont'd)

Other receivables and amount owing by related parties

The Group applies the 3-stage general approach to measuring measuring expected credit losses for its other receivables and amount owing by related parties.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

Under this approach, the Group assesses whether there is a significant increase in credit risk for receivables by comparing the risk of a default as at the reporting date with the risk of default as at the date of initial recognition. The Group considers there has been a significant increase in credit risk when there are changes in contractual terms or delay in payment. Regardless of the assessment, a significant increase in credit risk is presumed if a receivable is more than 30 days past due in making a contractual payment.

The Group uses 3 categories to reflect their credit risk and how the loss allowance is determined for each category:-

| Category | Definition of Category | Loss Allowance |
|------------------|--|----------------------------------|
| Performing: | Receivables have a low risk of default and a strong capacity to meet contractual cash flows | 12 months expected credit losses |
| Underperforming: | Receivables for which there is a significant increase in credit risk | Lifetime expected credit losses |
| Not performing: | There is evidence indicating the receivable is credit impaired or more than 90 days past due | Lifetime expected credit losses |

The Group measures the expected credit losses of receivables having significant balances, receivables that are credit impaired and receivables with a high risk of default on individual basis. Other receivables are grouped based on shared credit risk characteristics and assessed on collective basis.

Loss allowance is measured on either 12-month expected credit losses or lifetime expected credit losses, by considering the likelihood that the receivable would not be able to repay during the contractual period (probability of default, PD), the percentage of contractual cash flows that will not be collected if default happens (loss given default, LGD) and the outstanding amount that is exposed to default risk (exposure at default, EAD).

In deriving the PD and LGD, the Group considers the receivable's past payment status and its financial condition as at the reporting date. The PD is adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the receivable to settle its debts.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

The Group's policies in respect of the major areas of treasury activity are as follows: (Cont'd)

(b) Credit risk (Cont'd)

(iii) Assessment of impairment loss (Cont'd)

Other receivables and amount owing by related parties

Allowance for Impairment Losses

Based on the assessment performed, the identified impairment loss was immaterial and hence, it is not provided for.

Fixed deposits with a licensed bank, cash and bank balances

The Group considers the licensed banks have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

Amounts owing by subsidiaries (Non-trade balances)

The Company applies the 3-stage general approach to measuring expected credit losses for all inter-company balances.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

The Company measures measures the expected credit losses on individual basis, which is aligned with its credit risk management practices on the inter-company balances.

The Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded.

For loans and advances that are repayable on demand, impairment loss is assessed based on the assumption that repayment of the outstanding balances is demanded at the reporting date. If the subsidiary does not have sufficient highly liquid resources when the loans and advances are demanded, the Company will consider the expected manner of recovery to measure the impairment loss; the recovery manner could be either through 'repayable over time' or a fire sale of less liquid assets by the subsidiary.

For loans and advances that are not repayable on demand, impairment loss is measured using techniques that are similar for estimating the impairment losses of other receivables as disclosed above.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

The Group's policies in respect of the major areas of treasury activity are as follows: (Cont'd)

(b) Credit risk (Cont'd)

(iii) Assessment of impairment loss (Cont'd)

Amounts owing by subsidiaries (Non-trade balances) (Cont'd)

Inputs, Assumptions and Techniques used for Estimating Impairment Losses (Cont'd)

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

Allowance for Impairment Losses

| | Gross amount RM | Lifetime loss allowance RM | Carrying amount RM |
|-------------------------------------|-----------------------|----------------------------------|--------------------------|
| The Company | | | |
| 2023 | | | |
| Low credit risk | 55,005,900 | - | 55,005,900 |
| Significant increase in credit risk | 22,828,936 | (3,601,176) | 19,227,760 |
| | <u>77,834,836</u> | <u>(3,601,176)</u> | <u>74,233,660</u> |
| 2022 | | | |
| Low credit risk | 107,975,638 | - | 107,975,638 |

The movements in the loss allowances are disclosed in Note 10 to the financial statements.

Financial guarantee contracts

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

(c) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

The Group's policies in respect of the major areas of treasury activity are as follows: (Cont'd)

(c) Liquidity risk (Cont'd)

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

| Group | Contractual Coupon/ Interest Rate % | Carrying amount RM | Contractual undiscounted cash flows RM | Within 1 year RM | 1 - 5 years RM | Over 5 years RM |
|--------------------------|---|--------------------------|---|------------------------|----------------------|-----------------------|
| 2023 | | | | | | |
| Lease liabilities | 3.89 - 5.00 | 18,192,028 | 31,503,329 | 1,944,022 | 7,078,165 | 22,481,142 |
| Borrowings | 3.07 - 4.80 | 3,847,000 | 3,847,000 | 3,847,000 | - | - |
| Trade and other payables | - | 10,186,390 | 10,186,390 | 10,186,390 | - | - |
| | | 32,225,418 | 45,536,719 | 15,977,412 | 7,078,165 | 22,481,142 |
| 2022 | | | | | | |
| Lease liabilities | 5.00 | 15,880,629 | 29,707,223 | 1,070,531 | 4,282,122 | 24,354,570 |
| Borrowings | 3.07 - 4.22 | 2,505,294 | 2,505,503 | 2,505,503 | - | - |
| Trade and other payables | - | 6,580,821 | 6,580,821 | 6,580,821 | - | - |
| | | 24,966,744 | 38,793,547 | 10,156,855 | 4,282,122 | 24,354,570 |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management policies (Cont'd)

The Group's policies in respect of the major areas of treasury activity are as follows: (Cont'd)

(c) Liquidity risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period): (continued)

| Company | Contractual Coupon/ Interest Rate % | Carrying amount RM | Contractual undiscounted cash flows RM | Within 1 year RM |
|---|---|--------------------------|---|------------------------|
| 2023 | | | | |
| Trade and other payables | - | 130,509 | 130,509 | 130,509 |
| Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries | - | - | 4,267,177 | 4,267,177 |
| | | 130,509 | 4,397,686 | 4,397,686 |
| 2022 | | | | |
| Trade and other payables | - | 227,502 | 227,502 | 227,502 |
| Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries | - | - | 2,603,574 | 2,603,574 |
| | | 227,502 | 2,831,076 | 2,831,076 |

33.2 Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total shareholders' equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 Capital risk management (Cont'd)

The debt-to-equity ratio of the Group as at the end of the reporting period is as follows:

| Group | 2023 RM | 2022 RM |
|---------------------------------|--------------|----------------|
| Lease liabilities | 18,192,028 | 15,880,629 |
| Borrowings | 3,847,000 | 2,505,294 |
| Trade and other payables | 10,186,390 | 6,580,821 |
| Less: Cash and cash equivalents | (21,545,589) | (27,398,221) |
| Net debts/(excess) | 10,679,829 | (2,431,477) |
| Total shareholders' equity | 122,951,908 | 171,552,869 |
| Debt-to-equity ratio | 0.09 | Not applicable |

33.3 Classification of financial instruments

| | Group | | Company | |
|---|------------|------------|------------|-------------|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Financial assets | | | | |
| Fair value through profit or loss: | | | | |
| Cash and cash equivalents | | | | |
| (short-term investments) | 4,176,875 | 17,745,257 | 4,176,875 | 17,745,257 |
| Unquoted equity investment | 2,570,800 | - | 2,570,800 | - |
| | 6,747,675 | 17,745,257 | 6,747,675 | 17,745,257 |
| Amortised cost: | | | | |
| Trade and other receivables | 68,584,126 | 54,662,110 | 74,233,660 | 108,072,230 |
| Cash and cash equivalents | 17,368,714 | 9,652,964 | 3,509,941 | 2,781,149 |
| | 92,700,515 | 82,060,331 | 84,491,276 | 128,598,636 |
| Designated at fair value through other comprehensive income upon initial recognition: | | | | |
| Quoted equity investment | - | 29,160,000 | - | 29,160,000 |
| Financial liabilities | | | | |
| Amortised cost: | | | | |
| Trade and other payables | 10,186,390 | 6,580,821 | 130,509 | 227,502 |
| Borrowings | 3,847,000 | 2,505,294 | - | - |
| | 14,033,390 | 9,086,115 | 130,509 | 227,502 |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.4 Gains or losses arising from financial instruments

| | Group | | Company | |
|---|-------------|-------------|-------------|------------|
| | 2023 RM | 2022 RM | 2023 RM | 2022 RM |
| Financial assets | | | | |
| Fair value through profit or loss: | | | | |
| Interest income on:- | | | | |
| - Short term investments | 578,979 | 336,025 | 231,619 | 336,025 |
| - Fixed deposit | 12,621 | - | - | - |
| Amortised cost: | | | | |
| Interest income | 40,323 | 49,356 | 17,539 | 41,671 |
| Impairment loss on trade receivables | (271,913) | (487,949) | - | - |
| Impairment loss on amount owing by subsidiaries | - | - | (3,601,176) | - |
| Net gains/(losses) recognised in profit or loss | 360,010 | (102,568) | (3,352,018) | 377,696 |
| Financial liabilities | | | | |
| Amortised cost: | | | | |
| Interest expenses | (1,000,381) | (1,194,304) | - | - |
| Net losses recognised in profit or loss | (1,000,381) | (1,194,304) | - | - |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.5 Fair value information

| | Fair value of financial instruments carried at fair value | | | Fair value of financial instruments not carried at fair value | | | Total fair value RM | Carrying amount RM |
|-----------------------------|---|------------|------------|---|------------|------------|---------------------|--------------------|
| | RM Level 1 | RM Level 2 | RM Level 3 | RM Level 1 | RM Level 2 | RM Level 3 | | |
| Group 2023 | | | | | | | | |
| Financial asset | | | | | | | | |
| Other investment - Unquoted | - | - | 2,570,800 | - | - | - | 2,570,800 | 2,570,800 |
| Cash and cash equivalents # | 4,176,875 | - | - | - | - | - | 4,176,875 | 4,176,875 |
| | | | | | | | | |
| Group 2023 | | | | | | | | |
| Financial liability | | | | | | | | |
| Borrowings | - | - | - | - | 3,847,000 | - | 3,847,000 | 3,847,000 |
| | | | | | | | | |
| Group/Company 2022 | | | | | | | | |
| Financial asset | | | | | | | | |
| Other investment - Quoted | - | - | - | - | - | - | - | 29,160,000 |
| Cash and cash equivalents # | 17,745,257 | - | - | - | - | - | - | 17,745,257 |
| | | | | | | | | |
| Group 2022 | | | | | | | | |
| Financial liability | | | | | | | | |
| Borrowings | - | - | - | - | 2,505,294 | - | 2,505,294 | 2,505,294 |

The fair value of cash and cash equivalents represent money market fund which is determined by reference to statements provided by the respective financial institutions, with which the investments were entered into.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are as follows:

(a) Interim dividend

The Company had on 13 July 2022, declared a single tier interim dividend of RM0.40 per ordinary share for the financial year ended 2023. The entitlement date and payment date of dividend had been fixed on 29 July 2022 and 16 August 2022.

(b) Disposal of investment in associate

The Company had on 29 July 2022 received the buy-out notice from the purchaser in relation to its disposal of remaining 20% equity interest in Dolphin Shipping Sdn. Bhd. And Gems Logistics Sdn. Bhd. respectively and 17.56% of its equity interest in Guper Intergrated Logistics Sdn. Bhd. to SH Cogent Logistics Pte. Ltd. Subsequently, on 12 September 2022, the sale and purchase of the Exit Shares has been completed.

35. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are as follows:

(a) The Company had on 28 June 2023 announced that it proposed to undertake the below multiple corporate exercises:

(i) the Company via its wholly-owned subsidiaries had on 28 June 2023 entered into the following agreements:-

(A) (I) a subscription agreement between Guper Bonded Warehouse Sdn. Bhd. ("GBWSB") as issuer, a wholly-owned subsidiary of the Company and SWS Capital Berhad ("SWS") as subscriber, a company listed on Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), whereby SWS shall subscribe for the following:-

- 1,000 new ordinary shares in GBWSB ("GBWSB Shares"), representing 99% interest in the enlarged number of shares in GBWSB, at an issue price of RM1.00 per GBWSB Share for a total consideration of RM1,000; and
- 1,000 Redeemable Convertible Preference Share-B ("RCPS") in GBWSB ("GBWSB RCPS-B") at an issue price of RM35,050 for each GBWSB RCPS-B for a total consideration of RM35,050,000 ("SA 1") ("Proposed GBWSB Issuance"),

(II) a share sale agreement between the Company as vendor and SWS as purchaser for the disposal of the remaining 2 ordinary shares in GBWSB to SWS for RM2,900,000 ("SSA 1") ("Proposed GBWSB Disposal").

The Proposed GBWSB Issuance and the Proposed GBWSB Disposal shall collectively be referred to as "GBWSB Proposals".

NOTES TO THE FINANCIAL STATEMENTS

31 March 2023 (continued)

35. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD (CONT'D)

The significant events occurring after the reporting period are as follows: (Cont'd)

(a) The Company had on 28 June 2023 announced that it proposed to undertake the below multiple corporate exercises: (Cont'd)

(i) the Company via its wholly-owned subsidiaries had on 28 June 2023 entered into the following agreements:- (Cont'd)

(B) (I) a subscription agreement between Channel Legion Sdn. Bhd. ("CLSB") as issuer, a wholly-owned subsidiary of the Company and Hextar Holdings Sdn. Bhd. ("HHSB") as subscriber, whereby HHSB shall subscribe for the following:-

- 750,000 new ordinary shares in CLSB ("CLSB Shares"), representing 75% interest in the enlarged number of shares in CLSB, at an issue price of RM1.00 per CLSB Share for a total consideration of RM750,000; and
- 1,000 RCPS-B in CLSB ("CLSB RCPS-B") at an issue price of RM11,800 for each CLSB RCPS-B for a total consideration of RM11,800,000 ("SA 2") ("Proposed CLSB Issuance").

(II) a share sale agreement between the Company as vendor and HHSB as purchaser for the disposal of the remaining 250,000 ordinary shares in CLSB to HHSB for RM4,900,000 ("SSA 2") ("Proposed CLSB Disposal").

The Proposed CLSB Issuance and the Proposed CLSB Disposal shall collectively be referred to as "CLSB Proposals".

SA 1 and SA 2 are collectively referred to as "SAs".

SSA 1 and SSA 2 are collectively referred to as "SSAs".

(C) a sale and purchase agreement between Pengangkutan Sekata Sdn. Bhd., a wholly-owned subsidiary of the Company with SWS In Medics Sdn. Bhd. ("SIMSB"), a wholly-owned subsidiary of SWS, for the proposed disposal of a parcel of leasehold industrial land measuring 130,674 square feet improved upon with industrial premises comprising a single storey warehouse annexed with double storey office and ancillary buildings, held under HSD 303855, PTD 148262, Mukim of Plentong, District of Johor Bahru, State of Johor ("Pasir Gudang Property") for a cash consideration of RM15,300,000 ("SPA 1") ("Proposed Pasir Gudang Disposal").

(D) a sale and purchase agreement entered between Sin Hiap Hoe Trading & Transport Sdn. Bhd., a wholly-owned subsidiary of the Company with SIMSB, for the proposed disposal of a parcel of leasehold vacant industrial land measuring 104,539 square feet, held under HSD 119778, PT No. 121658, Mukim & District of Klang, State of Selangor ("Klang Property") for a cash consideration of RM8,360,000 ("SPA 2") ("Proposed Klang Disposal").

SPA 1 and SPA 2 are collectively referred to as "SPAs".

The Proposed Pasir Gudang Disposal and Proposed Klang Disposal shall collectively be referred to hereinafter as the "Proposed Disposals".

(b) proposed bonus issue of 3,859,470,000 new ordinary shares in the Company ("HexTech Shares" or "Shares") ("Bonus Shares") on the basis of 30 Bonus Shares for every 1 existing HexTech Share held by the shareholders of the Company whose names appear in the Record of Depositors of the Company on an entitlement date to be determined and announced later ("Entitlement Date") ("Entitled Shareholders") ("Proposed Bonus Issue").

LIST OF PROPERTIES AS AT 31 MARCH 2023

| No. | Registered Owner | Location | Tenure | Description/ Existing Use | Land Area (m ²)/ Built Up Area (ft ²) | Date of Acquisition | Approximate Age of Building (Years) | Group Carrying Amount @ 31/3/2023 (RM) |
|-----|--------------------------------|--|--|------------------------------|--|------------------------|--|--|
| 1. | Guper Bonded Warehouse Sdn Bhd | (i) Lot 60584 Nilai Industrial Estate, 71800 Nilai, Negeri Sembilan Darul Khusus. | Freehold | Vacant Land | 11,479 | 16.11.2007 | - | 1,227,793 |
| | | (ii) Lot 60585 Nilai Industrial Estate, 71800 Nilai, Negeri Sembilan Darul Khusus. | Freehold | Vacant Land | 10,196 | 16.11.2007 | - | 1,090,563 |
| | | (iii) Lot 60586 Nilai Industrial Estate, 71800 Nilai, Negeri Sembilan Darul Khusus. | Freehold | Vacant Land | 10,196 | 16.11.2007 | - | 1,090,563 |
| | | (iv) Lot 60587 Nilai Industrial Estate, 71800 Nilai, Negeri Sembilan Darul Khusus. | Freehold | Vacant Land | 10,196 | 16.11.2007 | - | 1,090,563 |
| | | (v) Lot 60588 Nilai Industrial Estate, 71800 Nilai, Negeri Sembilan Darul Khusus. | Freehold | Vacant Land | 14,164 | 16.11.2007 | - | 1,514,980 |
| 2. | Pengangkutan Sekata Sdn. Bhd. | (i) PLO 565, Jalan Keluli, Pasir Gudang Industrial Area, 81700 Pasir Gudang, Johor Darul Takzim. | Leasehold (Expiring on 18.05.2060) | Land Warehouse | 12,140/ 79,400 | 16.07.2016 | - 2 | 3,956,273 7,005,029 |

LIST OF PROPERTIES (CONTINUED)

AS AT 31 MARCH 2023

| No. | Registered Owner | Location | Tenure | Description/ Existing Use | Land Area (m ²)/ Built Up Area Area (ft ²) | Date of Acquisition | Approximate Age of Building (Years) | Group Carrying Amount @ 31/3/2023 (RM) |
|-----|---|--|--|------------------------------|--|------------------------|--|--|
| 3. | Channel Legion Sdn Bhd | (i) Part of P823 & Part of P825 Port Klang Free Zone/KS12, 42920 Pulau Indah, Selangor Darul Ehsan. | Land Lease Agreement (Expiring on 11.11.2049) | Factory | 25,900 / 193,400 | 31.03.2021 | 2 | 12,447,595 |
| 4. | Sin Hiap Hoe Trading & Transport Sdn. Bhd. | (i) Lot 35, T/K Jalan SG Pinang 4/2, Taman Perindustrian Pulau Indah, 42920 Pelabuhan Klang, Selangor Darul Ehsan. | Leasehold (Expiring on 24.02.2097) | Vacant Land | 9,712 | 12.01.2021 | - | 8,029,142 |

ANALYSIS OF SHAREHOLDINGS

AS AT 30 JUNE 2023

Issued and Paid Up Share Capital : RM 72,397,926 comprising 128,649,000 shares
 Voting Rights : One (1) vote per share
 Number of Shareholders : 896

SIZE OF SHAREHOLDINGS

| Size of Holdings | No. of Shareholders | % | No. of Shares | % |
|--|------------------------|---------------|--------------------|---------------|
| Less than 100 | 22 | 2.46 | 200 | 0.00 |
| 100 – 1,000 | 432 | 48.21 | 216,500 | 0.17 |
| 1,001 – 10,000 | 294 | 32.81 | 1,149,400 | 0.89 |
| 10,001 – 100,000 | 80 | 8.93 | 2,621,800 | 2.04 |
| 100,001 to less than 5% of the issued shares | 64 | 7.14 | 70,201,100 | 54.57 |
| 5% and above of the issued shares | 4 | 0.45 | 54,460,000 | 42.33 |
| Total | 896 | 100.00 | 128,649,000 | 100.00 |

DIRECTORS' SHAREHOLDINGS

| No. | Name of Director | Direct Interest | | Indirect Interest | |
|-----|---------------------|-----------------|-------|---------------------------|-------|
| | | No. of Shares | % | No. of Shares | % |
| 1. | Dato' Ong Choo Meng | 16,690,600 | 12.97 | ^(*) 70,460,000 | 54.77 |

Note:

^(*) Deemed interested by virtue of his direct interest in Hextar Tech Sdn. Bhd. and Hextar Holdings Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016

INFORMATION ON SUBSTANTIAL SHAREHOLDERS

| No. | Name of Shareholders | Direct Interest | | Indirect Interest | |
|-----|-----------------------|-----------------|-------|---------------------------|-------|
| | | No. of Shares | % | No. of Shares | % |
| 1. | Dato' Ong Choo Meng | 16,690,600 | 12.97 | ^(*) 70,460,000 | 54.77 |
| 2. | Hextar Tech Sdn. Bhd. | 64,460,000 | 50.11 | - | - |

Note:

^(*) Deemed interested by virtue of his direct interest in Hextar Tech Sdn. Bhd. and Hextar Holdings Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016

ANALYSIS OF SHAREHOLDINGS (CONTINUED)

AS AT 30 JUNE 2023

LIST OF TOP 30 SHAREHOLDERS

| No. | Name | No. of Shares | % |
|-----|--|--------------------|--------------|
| 1. | AmSec Nominees (Tempatan) Sdn Bhd Pledged Securities Account - AmBank (M) Berhad for Hextar Tech Sdn. Bhd. | 25,502,500 | 19.82 |
| 2. | Hextar Tech Sdn. Bhd. | 11,500,000 | 8.94 |
| 3. | AI Rajhi Banking & Investment Corporation (Malaysia) Bhd Pledged Securities Account for Hextar Tech Sdn Bhd (Acct 2) | 10,000,000 | 7.77 |
| 4. | MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hextar Tech Sdn Bhd (MGN-OCM0001M) | 7,457,500 | 5.80 |
| 5. | CIMSec Nominees (Tempatan) Sdn Bhd CIMB For Hextar Holdings Sdn Bhd (PB) | 6,000,000 | 4.66 |
| 6. | AI Rajhi Banking & Investment Corporation (Malaysia) Bhd Pledged Securities Account for Exsim Holdings Sdn. Bhd. | 5,547,500 | 4.31 |
| 7. | Ong Choo Meng (Dato') | 5,220,600 | 4.06 |
| 8. | MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hextar Tech Sdn Bhd (MGN-OTC0005M) | 5,000,000 | 3.89 |
| 9. | MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hextar Tech Sdn Bhd (MGN-LWY0001M) | 5,000,000 | 3.89 |
| 10. | AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Ong Choo Meng (6000478) | 4,800,000 | 3.73 |
| 11. | AI Rajhi Banking & Investment Corporation (Malaysia) Bhd Pledged Securities Account for Agilevest Sdn. Bhd. (Acc 2) | 3,500,000 | 2.72 |
| 12. | AI Rajhi Banking & Investment Corporation (Malaysia) Bhd Pledged Securities Account for JT Momentum Sdn. Bhd. | 3,400,000 | 2.64 |
| 13. | AmSec Nominees (Tempatan) Sdn Bhd Pledged Securities Account - AmBank (M) Berhad for Dato' Ong Choo Meng (SMART) | 3,370,000 | 2.62 |
| 14. | AmSec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Ong Choo Meng | 3,300,000 | 2.56 |
| 15. | Ajiya Berhad | 2,075,900 | 1.61 |
| 16. | Lim Jee Gin | 1,760,000 | 1.37 |
| 17. | HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Soon Ho | 1,674,300 | 1.30 |
| 18. | AI Rajhi Banking & Investment Corporation (Malaysia) Bhd Pledged Securities Account for Legion Management Sdn. Bhd. (Acc 1) | 1,300,000 | 1.01 |
| 19. | HSBC Nominees (Asing) Sdn Bhd Exempt an for the Hongkong and Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL) | 1,283,400 | 1.00 |
| 20. | CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Bank Berhad (EDP 2) | 1,231,300 | 0.96 |
| 21. | Fiamma Holdings Berhad | 1,091,800 | 0.85 |
| 22. | HSBC Nominees (Asing) Sdn Bhd Societe Generale Paris | 1,038,100 | 0.81 |
| 23. | Tan Seio Beng | 761,000 | 0.59 |
| 24. | AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Tzu Chuen (7003145) | 704,700 | 0.55 |
| 25. | Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Yih Ming | 645,900 | 0.50 |
| 26. | MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Tzu Chuen (MGN-OTC0005M) | 606,000 | 0.47 |
| 27. | UOB Kay Hian Nominees (Tempatan) Sdn Bhd for Ong Soon Ho | 576,000 | 0.45 |
| 28. | Mok Yau Choy | 462,900 | 0.36 |
| 29. | Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chiau Beng Teik | 458,300 | 0.36 |
| 30. | Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chu Yee Hong | 451,700 | 0.35 |
| | | 115,719,400 | 89.95 |

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth (18th) Annual General Meeting of Hextar Technologies Solutions Berhad ("Company") will be conducted on a fully virtual basis through live streaming and remote meeting platform of TIIH online provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its website at <https://tiih.online> on **Thursday, 24 August 2023 at 10.30 a.m.** or at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modifications, for the following purposes:-

AS ORDINARY BUSINESS

1. To receive the audited financial statements for the financial year ended 31 March 2023 and the Reports of the Directors and Auditors thereon. *Please refer to Explanatory Note (1)*
2. To approve the following payments to Directors:
 - (i) Directors' fees for the Non-Executive Directors not exceeding RM348,000 for the financial year ending 31 March 2024 (2023:RM180,000); *Ordinary Resolution 1
Please refer to Explanatory Note (2)*
 - (ii) Meeting allowance for the Non-Executive Directors for the period from 25 August 2023 until the next Annual General Meeting ("AGM") of the Company; *Ordinary Resolution 2
Please refer to Explanatory Note (2)*

| Position | Per Meeting Day |
|--------------------------|-----------------|
| Board Committee Chairman | RM1,250 |
| Non-Executive Director | RM1,000 |
3. To re-elect the following Director who retires pursuant to Article 131.1 of the Constitution of the Company:-
 - (i) Mr. Yeoh Chin Hoe *Ordinary Resolution 3*
4. To elect the following Directors who retire pursuant to Article 116 of the Constitution of the Company:-
 - (i) Tan Sri Muhammad Bin Ibrahim *Ordinary Resolution 4*
 - (ii) Dato' Ong Choo Meng *Ordinary Resolution 5*
 - (iii) Mr. Choo Joon Keong *Ordinary Resolution 6*
 - (iv) Madam Sujatha Sekhar A/P Tan Sri B.C.Sekhar *Ordinary Resolution 7*
5. To re-appoint Crowe Malaysia PLT as Auditors of the Company and to authorise the Directors to fix their remuneration; *Ordinary Resolution 8*

AS SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following resolutions:
 - (A) Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016 ("Act") - General Allotment *Ordinary Resolution 9
Please refer to Explanatory Note (4)(i)*

"THAT pursuant to Sections 75 and 76 of the Act, full authority be and is hereby given to the Directors to issue shares of the Company from time to time upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company as at the date of this Annual General Meeting ("AGM") and that such authority shall continue in force until the conclusion of the next AGM of the Company, and that the Directors be and are hereby empowered to obtain the approval of Bursa Malaysia Securities Berhad ("Bursa Malaysia") for the listing of and quotation for the new shares so issued."

NOTICE OF ANNUAL GENERAL MEETING

(CONTINUED)

"AND FURTHER THAT pursuant to Section 85 of the Act read together with Article 76 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company and to offer new shares arising from the issuance and allotment of the new shares pursuant to Sections 75 and 76 of the Act; AND THAT the Directors of the Company is exempted from the obligation to offer such new shares first to the existing shareholders of the Company."

- (B) Proposed Renewal of Shareholders' Mandate to Enable the Company to Purchase up to 10% of its Total Number of Issued Shares ("Proposed Renewal of Share Buy-Back Authority")

Ordinary Resolution 10
*Please refer to
Explanatory Note (4)(ii)*

"THAT subject to the Companies Act 2016 ("Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Constitution and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia and any other relevant authority, the Company be and is hereby authorised to purchase and/or hold such amount of ordinary shares in the Company's issued share capital through Bursa Malaysia upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that:-

- (i) the aggregate number of shares so purchased and/or held pursuant to this ordinary resolution ("Purchased Shares") does not exceed ten percent (10%) of the total number of issued shares of the Company at any one time; and
- (ii) the maximum amount of funds to be allocated for the Purchased Shares shall not exceed the retained profits of the Company;
- (iii) the authority conferred by this ordinary resolution shall commence immediately upon the passing of this ordinary resolution and continue to be in force until:-
 - (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time the authority shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions; or
 - (b) the expiration of the period within which the next AGM of the Company is required by law to be held; or
 - (c) revoked or varied by ordinary resolution passed by the shareholders in general meeting,

whichever occurs first.

THAT upon completion of the purchase(s) by the Company of its own shares, the Directors of the Company be and are hereby authorised to deal with the shares purchased in their absolute discretion in the following manner:-

- (a) cancel all the shares so purchased; and/or
- (b) retain the shares so purchased as treasury shares for distribution as dividend to shareholders and/or resell on the market of Bursa Malaysia; and/or
- (c) retain part thereof as treasury shares and cancel the remainder.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

- (C) Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions and New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue and/ or Trading Nature ("Proposed Shareholders' Mandate for RRPT"):- Ordinary Resolution 11
Please refer to Explanatory Note (4) (iii)

"THAT, subject to Paragraph 10.09 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company and its subsidiaries ("Group") be and are hereby authorised to enter into recurrent related party transactions of a revenue or trading nature with the Related Parties as set out in the Section 2.4 of the Circular to Shareholders dated 28 July 2023, PROVIDED THAT such transactions are necessary for the Group's day-to-day operations and are in the ordinary course of business of the Group and at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company;

THAT such approval shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which this Ordinary Resolution shall be passed, at which time it will lapse, unless by a resolution passed at the general meeting, the authority conferred by this resolution is renewed;
- (ii) the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders of the Company at a general meeting,

whichever is earlier;

AND THAT the Directors of the Company and its subsidiaries be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate as authorised by this Ordinary Resolution."

7. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

By Order of the Board
Hextar Technologies Solutions Berhad

Henry Ng Heng Hooi (MAICSA 7048492) (SSM PC No. 202008002923)
Maggie Wong Mee Kiat (MAICSA 7058813) (SSM PC No. 202008001958)
Secretaries

Kuala Lumpur
Dated: 28 July 2023

NOTICE OF ANNUAL GENERAL MEETING

(CONTINUED)

EXPLANATORY NOTES

1. Receiving of the Audited Financial Statements

Item 1 of the Agenda is intended for discussion only as the provision of Section 340(1) of the Act does not require a formal approval of the shareholders of the Audited Financial Statements. As such this item is not put forward for voting.

2. Payment of Directors' Fees and Benefits

Section 230(1) of the Act provides that the fees and any other benefits (including any compensation for loss of employment) payable to the directors of a company shall be approved by the members at a general meeting. The Board wishes to seek shareholders' approval for the following payment to the Non-Executive Directors:

Ordinary Resolution 1 - Proposed payment of Directors' fees for the Non-Executive Directors not exceeding RM348,000 for the financial year ending 31 March 2024 (2023: RM180,000);

The proposed Ordinary Resolution 1 is to seek shareholders' approval to facilitate the payment of Directors' fees on current year basis. In the event the Directors' fees proposed is insufficient, the Board will seek the approval of shareholders at the next AGM to authorise payment of the shortfall.

Ordinary Resolution 2 - Proposed payment of meeting allowance of RM1,250 per meeting day for the Board Committees Chairman and RM1,000 per meeting day for the other Non-Executive Directors from 25 August 2023 until the next AGM of the Company. The meeting allowance will only be paid on the actual attendance of meetings by the Directors.

3. Form of Proxy

(i) The AGM of the Company will be conducted entirely on a virtual basis through live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities provided by Tricor Investor & Issuing House Services Sdn Bhd on its website at <https://tiih.online>. Please follow the procedures set out in the Administrative Guide for the AGM which is available on the Company's website at <https://hextartech.com/> to register, participate and vote remotely via the RPV.

According to the Revised Guidance Note and FAQs, an online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Act provided that the online platform is located in Malaysia and all meeting participants of a fully virtual general meeting are to participate in the meeting online.

(ii) In respect of deposited securities, only members whose names appear in the Record of Depositors on 17 August 2023 shall be eligible to attend the Meeting.

(iii) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one (1) or more proxies to attend, participate, speak and vote in his stead. A member may appoint more than one (1) proxy in relation to the Meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy.

(iv) A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to attend, participate, speak and vote at the Meeting.

(v) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.

(vi) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

- (vii) The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur. Alternatively, the Form of Proxy may also be lodged electronically via the TIIH Online at <https://tiih.online> not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof, resolutions set out above are to be voted by poll. Kindly refer to the Administrative Guide for the AGM for further information on the electronic lodgement of proxy form.
- (viii) A member who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at this AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at <https://tiih.online>. Kindly refer to the Procedures for RPV as set out in the Administrative Guide for the AGM.

4. Explanatory Notes on Special Business:

- (i) Ordinary Resolution 9 - Proposed renewal of authority for Directors to issue shares - General Allotment

Ordinary Resolution 9 is proposed for the purpose of granting a renewal of the general mandate for the issuance of shares by the Company under Sections 75 and 76 of the Act. Ordinary Resolution 9, if passed, will give the Directors of the Company authority to issue not more than ten percent (10%) of the total number of issued shares in the Company at any time in their absolute discretion without convening a general meeting. The authorisation, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company.

The Company did not issue any new shares pursuant to that mandate obtained as at the date of this notice. Ordinary Resolution 9 is a renewal of the general mandate. At this juncture, there is no decision to issue new shares. Should there be a decision to issue new shares after the general mandate is obtained, an announcement will be made to Bursa Malaysia by the Company in respect of the purpose and utilisation of proceeds arising from such issue.

The general mandate, if granted, will provide flexibility to the Company for any possible funds raising activities, including but not limited to placement of shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s).

The approval of the issuance and allotment of the new shares under Sections 75 and 76 of the Act shall have the effect of the shareholders having agreed to waive their statutory pre-emptive rights pursuant to Section 85 of the Act and Article 76 of the Constitution of the Company, the Shareholders of the Company hereby agree to waive and are deemed to have waived their statutory pre-emptive rights pursuant to Section 85 of the Act and Article 76 of the Constitution of the Company pertaining to the issuance and allotment of the new shares under Sections 75 and 76 of the Act, which will result in a dilution to their shareholding percentage in the Company.

NOTICE OF ANNUAL GENERAL MEETING

(CONTINUED)

(ii) Ordinary Resolution 10 - Proposed renewal of share buy-back authority.

Ordinary Resolution 10, if passed, will enable the Company to utilise any of its surplus financial resources to purchase its own shares through Bursa Malaysia up to ten percent (10%) of the total number of issued shares of the Company. This authority will, unless revoked or varied at a general meeting, expire at the conclusion of the next AGM of the Company.

Further information on the proposed renewal of the share buy-back authority are set out in the Statement to Shareholders of the Company dated 28 July 2023 which is dispatched together with the Company's 2023 Annual Report.

(iii) Ordinary Resolution 11 - Proposed shareholders' mandate for RRPT.

Ordinary Resolution 11, if passed, will empower the Group to enter into RRPTs of a revenue or trading nature with the related parties as set out in Section 2.4 of the Circular to Shareholders dated 28 July 2023 which are necessary for the Group's day-to-day operations and/or in the ordinary course of business of the Group on normal commercial terms and to facilitate the conduct of the Group's business in a timely manner.

The proposal includes the proposed renewal of the existing shareholders' mandate for RRPTs of a revenue or trading nature that was approved by the shareholders at the 17th AGM.

Further information on the Proposed shareholders' mandate for RRPT are set out in the Circular to Shareholders of the Company dated 28 July 2023, which is dispatched together with the Company's 2023 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

1. Details of person who is standing for re-election as Director

The Director standing for re-election pursuant to Article 131.1 of the Constitution of the Company at the Eighteenth Annual General Meeting is Mr. Yeoh Chin Hoe. His profile is stated on page 20 of the 2023 Annual Report.

2. Details of persons who are standing for election as Directors

The Directors standing for election pursuant to Article 116 of the Constitution of the Company at the Eighteenth Annual General Meeting are Tan Sri Muhammad bin Ibrahim, Dato' Ong Choo Meng and Mr. Choo Joon Keong. Their profiles are stated on pages 15 to 17 of the 2023 Annual Report.

3. Statement relating to general mandate for issue of securities in accordance with paragraph 6.03(3) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Details of the general mandate to issue securities in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note (4)(i) of the Notice of Eighteenth Annual General Meeting.

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PROXY FORM

HEXTAR TECHNOLOGIES SOLUTIONS BERHAD

Company No. 200501034100 (716241-X)

I/We, _____ (FULL NAME IN CAPITALS)

of _____ (FULL ADDRESS)

being a member / members of Hextar Technologies Solutions Berhad, hereby appoint

Proxy A

| Full Name | NRIC No./Passport No./Company No. | Proportion of shareholdings represented | |
|-----------|-----------------------------------|---|---|
| | | No. of Shares | % |
| Address | | | |

Proxy B

| Full Name | NRIC No./Passport No./Company No. | Proportion of shareholdings represented | |
|-----------|-----------------------------------|---|---|
| | | No. of Shares | % |
| Address | | | |

100%

or failing him/her, the Chairman of the Meeting, as my/our proxy to attend and vote for me/us and on my/our behalf at the Eighteenth (18th) Annual General Meeting ("AGM") of Hextar Technologies Solutions Berhad ("the Company") will be conducted on a fully virtual basis through live streaming and remote meeting platform of TIH online provided by Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") via its website at <https://tiih.online> on Thursday, **24 August 2023 at 10.30 a.m.** or at any adjournment thereof. My/our proxy is to vote on the resolutions as indicated by an "X" in the appropriate spaces below. If this form is returned without any indication as to how the proxy shall vote, the proxy shall vote or abstain as he/she thinks fit.

| RESOLUTIONS | | FOR | AGAINST |
|------------------------|--|-----|---------|
| Ordinary Resolution 1 | To approve Directors' fees for the Non-Executive Directors' not exceeding RM348,000 for the financial year ending 31 March 2024 | | |
| Ordinary Resolution 2 | To approve meeting allowance for Non-Executive Directors from 25 August 2023 until the next Annual General Meeting ("AGM") of the Company | | |
| Ordinary Resolution 3 | Re-election of Mr. Yeoh Chin Hoe as Director pursuant to Article 131.1 of the Constitution of the Company | | |
| Ordinary Resolution 4 | Election of Tan Sri Muhammad Bin Ibrahim as Director pursuant to Article 116 of the Constitution of the Company | | |
| Ordinary Resolution 5 | Election of Dato' Ong Choo Meng as Director pursuant to Article 116 of the Constitution of the Company | | |
| Ordinary Resolution 6 | Election of Mr. Choo Joon Keong as Director pursuant to Article 116 of the Constitution of the Company | | |
| Ordinary Resolution 7 | Election of Madam Sujatha Sekhar A/P Tan Sri B.C.Sekhar as Director pursuant to Article 116 of the Constitution of the Company | | |
| Ordinary Resolution 8 | Re-appointment of Messrs. Crowe Malaysia PLT as Auditors of the Company | | |
| Ordinary Resolution 9 | To approve authority for Directors to allot and issue shares - General Allotment | | |
| Ordinary Resolution 10 | To renew mandate for Share Buy Back | | |
| Ordinary Resolution 11 | To approve the renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions and New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue and/or Trading Nature | | |

Dated this _____ day of _____ 2023

Signature: _____

Fold this flap for sealing

Notes:-

1. *The AGM of the Company will be conducted entirely on a virtual basis through live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. on its website at <https://tiih.online>. Please follow the procedures set out in the Administrative Guide for the AGM which is available on the Company's website at <https://hextartech.com/> to register, participate and vote remotely via the RPV. According to the Revised Guidance Note and FAQs, an online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Act provided that the online platform is located in Malaysia and all meeting participants of a fully virtual general meeting are to participate in the meeting online.*
2. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 17 August 2023 shall be eligible to attend the Meeting.*
3. *A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one (1) or more proxies to attend, participate, speak and vote in his stead. A member may appoint more than one (1) proxy in relation to the Meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy.*
4. *A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to attend, participate, speak and vote at the Meeting.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.*
6. *Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
7. *The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the office of the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur. Alternatively, the Form of Proxy may also be lodged electronically via the TIIH Online at <https://tiih.online> not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof, resolutions set out above are to be voted by poll. Kindly refer to the Administrative Guide for the AGM for further information on the electronic lodgement of proxy form.*
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STAMP

**The Share Registrar
HEXTAR TECHNOLOGIES SOLUTIONS BERHAD
C/O 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 LumpurUnit

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HEXTAR TECHNOLOGIES SOLUTIONS BERHAD

(Registration No.: 200501034100 (716241-X))

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