



HEXTAR GLOBAL BERHAD

Company No.: 199001014551 (206220-U)

(Incorporated in Malaysia)

Interim Report For the 6-months Financial Period Ended 30 June 2023



Interim Report for the 6-months Financial Period Ended 30 June 2023

Unaudited Condensed Statements of Profit or Loss and Other Comprehensive Income

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(3-mths) Current Year Quarter 30/6/2023 RM'000	(3-mths) Preceding Year Quarter 30/6/2022 RM'000	(6-mths) Current Year to-Date 30/6/2023 RM'000	(6-mths) Preceding Year to-Date 30/6/2022 RM'000
Continuing Operations				
Revenue	133,480	156,910	272,222	304,897
Cost of sales	(91,751)	(113,844)	(192,966)	(221,010)
Gross profit	41,729	43,066	79,256	83,887
Other income	985	762	2,060	1,529
Selling and marketing expenses	(5,613)	(5,629)	(10,221)	(10,216)
Administrative and other expenses	(16,439)	(14,814)	(32,139)	(27,708)
Finance costs	(4,547)	(2,653)	(7,757)	(4,746)
Share of profit of a joint venture	47	29	159	229
Profit before taxation	16,162	20,761	31,358	42,975
Less: Taxation	(4,330)	(4,632)	(8,653)	(9,715)
Profit after taxation from continuing operations	11,832	16,129	22,705	33,260
Discontinued Operations				
Loss after taxation from discontinued operations	(565)	(320)	(2,016)	(975)
Profit after taxation	11,267	15,809	20,689	32,285
Other comprehensive income/(expenses):				
- Foreign currency translation differences	1,570	67	2,596	(267)
- Revaluation of properties	-	843	(166)	843
Other comprehensive income for the financial period	1,570	910	2,430	576
Total comprehensive income for the financial period	12,837	16,719	23,119	32,861

The unaudited Condensed Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying notes attached to this interim financial report.



Interim Report for the 6-months Financial Period Ended 30 June 2023

Unaudited Condensed Statements of Profit or Loss and Other Comprehensive Income (Cont'd)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(3-mths) Current Year Quarter 30/6/2023 RM'000	(3-mths) Preceding Year Quarter 30/6/2022 RM'000	(6-mths) Current Year to-Date 30/6/2023 RM'000	(6-mths) Preceding Year to-Date 30/6/2022 RM'000
Profit/(Loss) for the financial period attributable to:				
- Owners of the Company:				
- continuing operations	9,235	15,620	19,314	31,922
- discontinued operations	(565)	(320)	(2,016)	(975)
- Non-controlling interests				
- continuing operations	2,597	509	3,391	1,338
	<u>11,267</u>	<u>15,809</u>	<u>20,689</u>	<u>32,285</u>
Total comprehensive income/(expenses) attributable to:				
- Owners of the Company:				
- continuing operations	10,804	16,443	21,828	32,591
- discontinued operations	(565)	(320)	(2,016)	(975)
- Non-controlling interests				
- continuing operations	2,598	596	3,307	1,245
	<u>12,837</u>	<u>16,719</u>	<u>23,119</u>	<u>32,861</u>
Earnings per share				
Basic (sen) ^				
- continuing operations	0.24	0.40	0.50	0.82
- discontinued operations	(0.01)	(0.01)	(0.05)	(0.02)
	<u>0.23</u>	<u>0.39</u>	<u>0.45</u>	<u>0.80</u>

^ Restated to reflect the effect of bonus issue

The unaudited Condensed Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying notes attached to this interim financial report.



Interim Report for the 6-months Financial Period Ended 30 June 2023

Unaudited Condensed Statements of Financial Position

	Unaudited as at 30/6/2023 RM'000	Audited as at 31/12/2022 RM'000
ASSETS		
Non-current assets		
Investment in joint venture	1,900	1,783
Property, plant and equipment	74,334	75,112
Investment properties	2,524	3,504
Right-of-use assets	44,715	52,536
Intangible assets	136,905	137,093
Investment in club membership, at cost	46	46
Trade receivables	1,492	1,293
Prepayment	2,841	2,384
Deferred tax assets	592	243
Total non-current assets	265,349	273,994
Current assets		
Inventories	120,820	139,505
Trade receivables	115,149	130,315
Other receivables, deposits and prepayments	39,676	14,733
Contract assets	6,167	-
Amount owing by related companies	-	384
Amount owing by a joint venture	300	-
Current tax assets	6,229	2,838
Deposits with licensed banks	21,730	6,064
Cash and bank balances	61,980	50,092
Total current assets	372,051	343,931
Assets classified as held for sale	4,423	4,393
TOTAL ASSETS	641,823	622,318
EQUITY AND LIABILITIES		
Equity		
Share capital	633,878	633,878
Treasury shares	(30,770)	(39,928)
Merger deficit reserve	(500,423)	(495,423)
Exchange reserve	1,220	(1,375)
Revaluation reserve	12,833	14,620
Retained profits	102,750	105,050
Equity attributable to owners of the Company	219,488	216,822
Non-controlling interests	19,365	16,059
TOTAL EQUITY	238,853	232,881

The unaudited Condensed Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying notes attached to this interim financial report.



Interim Report for the 6-months Financial Period Ended 30 June 2023

Unaudited Condensed Statements of Financial Position (Cont'd)

	Unaudited as at 30/6/2023 RM'000	Audited as at 31/12/2022 RM'000
Non-current liabilities		
Lease liabilities	31,816	34,771
Long-term borrowings	140,806	123,405
Deferred tax liabilities	6,859	6,382
Variable deferred consideration	12,148	25,148
Total non-current liabilities	191,629	189,706
Current liabilities		
Trade payables	36,842	29,958
Other payables, deposits received and accruals	15,473	18,943
Contract liabilities	1,387	2,201
Amount owing to related companies	-	284
Amount owing to a joint venture	1,179	729
Lease liabilities	5,639	6,063
Short-term borrowings	116,106	111,115
Current tax liabilities	10,151	5,631
Derivative liabilities	-	243
Variable deferred consideration	24,564	24,564
Total current liabilities	211,341	199,731
TOTAL LIABILITIES	402,970	389,437
TOTAL EQUITY AND LIABILITIES	641,823	622,318
No. of ordinary shares in issue ('000)	3,876,067	3,857,258
Net assets per share attributable to equity holders of the Company (RM)	0.06	0.06

The unaudited Condensed Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying notes attached to this interim financial report.



Interim Report for the 6-months Financial Period Ended 30 June 2023

Unaudited Condensed Statements of Cash Flows

	6-months ended 30/06/2023 RM'000	6-months ended 30/06/2022 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES		
Profit/(Loss) before taxation		
- continuing operations	31,358	42,975
- discontinued operations	(2,024)	(984)
Adjustments for:-		
Amortisation	320	300
Depreciation	8,578	5,370
Equipment written off	1	-
Impairment loss on trade receivables	-	146
Interest expense	8,757	4,894
Loss on disposal of plant and equipment	36	-
Unrealised loss on foreign exchange	1,539	340
Gain on forward currency contracts	(243)	-
Gain on disposal of investment in subsidiaries	(527)	-
Interest income	(650)	(312)
Reversal of impairment loss on trade receivables	(109)	-
Share of profit of a joint venture	(159)	(229)
Operating profit before working capital changes	<u>46,877</u>	<u>52,500</u>
Changes in working capital:-		
Inventories	14,754	2,670
Receivables	(21,867)	5,422
Payables	28,423	(10,492)
Related companies	100	(108)
Joint venture	150	1,107
	<u>21,560</u>	<u>(1,401)</u>
Cash from operations	68,437	51,099
Interest paid	(7,757)	(4,894)
Income tax paid	(6,654)	(7,793)
Net cash from operating activities	<u>54,026</u>	<u>38,412</u>

The unaudited Condensed Statements of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying notes attached to this interim financial report.



Interim Report for the 6-months Financial Period Ended 30 June 2023

Unaudited Condensed Statements of Cash Flows (Cont'd)

	6-months ended 30/06/2023 RM'000	6-months ended 30/06/2022 RM'000
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash and cash equivalents acquired	(8,276)	(8,466)
Deposit payment for acquisition of a subsidiary	-	(1,430)
Disposal of a subsidiary, net of cash and cash equivalents disposed of	3,177	-
Interest received	650	312
Increase in pledged deposits with licensed banks	(2,878)	-
Payment of deferred consideration	(14,000)	(14,000)
Proceeds from disposal of equipment	84	5
Proceeds from disposal of assets classified as held for sale	950	3,500
Product development expenditure incurred	(22)	(121)
Addition of intangible assets	(119)	(20)
Purchase of property, plant and equipment	(4,593)	(4,439)
Net cash for investing activities	<u>(25,027)</u>	<u>(24,659)</u>
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES		
Dividend paid	(25,715)	(15,619)
Drawdown of term loan	28,000	-
Net decrease of lease liabilities	(3,985)	(1,107)
Net (decrease)/increase in bank borrowings	(7,879)	9,675
Purchase of treasury shares	-	(4,628)
Proceeds from sale of treasury shares	13,008	-
Repayment of term loans	(8,265)	(12,261)
Net cash for financing activities	<u>(4,836)</u>	<u>(23,940)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	24,163	(10,187)
EFFECTS OF FOREIGN EXCHANGE TRANSLATION	513	(543)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	51,564	58,400
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>76,240</u>	<u>47,670</u>
CASH AND CASH EQUIVALENTS COMPRISE		
Deposits with licensed banks	21,730	19,885
Cash and bank balances	61,980	33,249
	<u>83,710</u>	<u>53,134</u>
Less: Deposits pledged to licensed banks	(7,470)	(5,464)
	<u>76,240</u>	<u>47,670</u>

The unaudited Condensed Statements of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying notes attached to this interim financial report.



Interim Report for the 6-months Financial Period Ended 30 June 2023

Unaudited Condensed Statements of Changes in Equity

	Share Capital RM'000	Treasury Shares RM'000	Non-distributable			<-Distributable->	Attributable to Owners of the Company RM'000	Non-controlling Interests RM'000	Total RM'000	
			Merger Reserve RM'000	Deficit Reserve RM'000	Exchange Reserve RM'000	Revaluation Reserve RM'000	Retained Profits RM'000			
Balance as at 1/1/2023	633,878	(39,928)	(495,423)		(1,375)	14,620	105,050	216,822	16,059	232,881
Profit after taxation for the financial period	-	-	-	-	-	-	17,298	17,298	3,391	20,689
Other comprehensive income/(expenses) for the financial period:										
- Foreign currency translation differences	-	-	-	-	2,595	-	-	2,595	1	2,596
- Revaluation of properties	-	-	-	-	-	(81)	-	(81)	(85)	(166)
Total comprehensive income/(expenses) for the financial period	-	-	-	-	2,595	(81)	17,298	19,812	3,307	23,119
Contributions by and distributions to owners of the Company:										
- Merger and acquisition	-	-	(5,000)	-	-	-	560	(4,440)	-	(4,440)
- Treasury shares sold	-	9,158	-	-	-	-	3,850	13,008	-	13,008
- Dividends	-	-	-	-	-	-	(25,715)	(25,715)	-	(25,715)
Total transactions with owners	-	9,158	(5,000)	-	-	-	(21,305)	(17,147)	-	(17,147)
Realisation of revaluation reserve	-	-	-	-	-	(1,706)	1,707	1	(1)	-
Balance as at 30/6/2023	633,878	(30,770)	(500,423)		1,220	12,833	102,750	219,488	19,365	238,853

The unaudited Condensed Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying notes attached to this interim financial report.



Interim Report for the 6-months Financial Period Ended 30 June 2023

Unaudited Condensed Statements of Changes in Equity (Cont'd)

	Share Capital RM'000	Treasury Shares RM'000	<----- Non-distributable ----->			<-Distributable->	Attributable to Owners of the Company RM'000	Non-controlling Interests RM'000	Total RM'000
			Merger Deficit Reserve RM'000	Exchange Reserve RM'000	Revaluation Reserve RM'000	Retained Profits RM'000			
Balance as at 1/1/2022	633,878	(10,300)	(488,522)	102	17,192	60,614	212,964	14,621	227,585
Profit after taxation for the financial period	-	-	-	-	-	30,947	30,947	1,338	32,285
Other comprehensive (expenses)/income for the financial period:									
- Foreign currency translation differences	-	-	-	(174)	-	-	(174)	(93)	(267)
- Revaluation of properties	-	-	-	-	843	-	843	-	843
Total comprehensive (expenses)/income for the financial period	-	-	-	(174)	843	30,947	31,616	1,245	32,861
Contributions by and distributions to owners of the Company:									
- Acquisition of a subsidiary	-	-	(6,900)	-	-	7,875	975	-	975
- Purchase of treasury shares	-	(4,627)	-	-	-	-	(4,627)	-	(4,627)
- Dividends	-	-	-	-	-	(15,619)	(15,619)	-	(15,619)
Total transactions with owners	-	(4,627)	(6,900)	-	-	(7,744)	(19,271)	-	(19,271)
Realisation of revaluation reserve	-	-	-	-	(115)	115	-	-	-
Balance as at 30/6/2022	633,878	(14,927)	(495,422)	(72)	17,920	83,932	225,309	15,866	241,175

The unaudited Condensed Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying notes attached to this interim financial report.



Interim Report for the 6-months Financial Period Ended 30 June 2023

A. EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134, INTERIM FINANCIAL REPORTING

1. Basis of Preparation

This interim financial report is unaudited and has been prepared in accordance with MFRS 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

This unaudited interim financial report should be read in conjunction with the annual audited financial statements for the financial year ended 31 December 2022. The Group prepared its financial statements in accordance with the Malaysian Financial Reporting Standards (“MFRS”).

The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the change in the financial position and performance of Hextar Global Berhad (“Hextar” or the “Company”) and its subsidiaries (the “Group”) since the financial year ended 31 December 2022.

2. Significant Accounting Policies

The financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The following are accounting standards, amendments and IC interpretations of the MFRS that have been issued by the MASB but are not yet effective and have not been adopted by the Group:-

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

MFRS 17 Insurance Contracts

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to MFRS 16: Lease Liability in a Sales and Leaseback

Amendments to MFRS 17: Insurance Contracts

Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information

Amendments to MFRS 101: Disclosure of Accounting Policies

Amendments to MFRS 101: Classification of Liabilities as Current or Non-current

Amendments to MFRS 101: Non-current Liabilities with Covenants

Amendments to MFRS 108: Definition of Accounting Estimates

Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations when they become effective in the respective financial periods.

The adoption of the above accounting standards and amendments are expected to have no material impact on the financial statements of the Group upon their initial application.



Interim Report for the 6-months Financial Period Ended 30 June 2023

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the preceding annual audited financial statements for the financial year ended 31 December 2022 were not subject to any qualification.

4. Seasonal or Cyclical Factors

The Group's agriculture business is sensitive to prolonged extreme weather conditions.

5. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter under review and financial period to-date.

6. Material Changes in Estimates

There were no material changes in the estimates of amounts reported that have a material effect on the results for the current quarter under review and financial period to-date except as disclosed in the financial statements.

7. Details of Changes in Debts and Equity Securities

During the financial period ended 30 June 2023, the Company has resold 6,269,600 units of its treasury shares to the open market at an average price of RM2.07 per share. The total consideration received was RM13,008,442 net of transaction costs.

As at 30 June 2023, the Company held as treasury shares a total of 63,195,300 of 3,939,261,852 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of RM30,769,865.

Other than the above, there were no issuance, cancellation, repurchase, resale or repayment of debt and/or equity securities during the current quarter under review and financial period to-date.

8. Dividend

The Company had on 3 April 2023 paid a second interim single-tier dividend of 2.0 sen per ordinary share amounting to approximately RM25.7 million in respect of the financial year ended 31 December 2022.

The total dividends declared for the financial year ended 31 December 2022 of 3.0 sen per ordinary share, amounting to approximately RM38.6 million with a payout ratio of 70.1%.

Other than the above, there were no dividends proposed or paid during the quarter under review.



Interim Report for the 6-months Financial Period Ended 30 June 2023

9. Segmental Reporting

6-months ended 30 June 2023								
SEGMENTAL REPORTING	Continuing Operations					Discontinued Operations	Total	
	Investment Holding	Agriculture	Specialty Chemicals	Others	Elimination	Total		Consumer Products
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000
REVENUE AND EXPENSES								
Revenue								
External	-	156,461	115,760	1		272,222	6,639	278,861
Inter-segment	35,201	10	152	-	(35,363)	-	-	-
Total revenue	35,201	156,471	115,912	1	(35,363)	272,222	6,639	278,861
Results								
Segment results	32,086	13,058	26,288	(67)	(33,017)	38,348	(1,805)	36,543
Finance costs	(4,410)	(2,673)	(674)	-	-	(7,757)	(221)	(7,978)
Finance income	56	62	527	5	-	650	3	653
Share of result of a joint venture	-	117	-	-	-	117	-	117
Profit/(Loss) before taxation	27,732	10,564	26,141	(62)	(33,796)	31,358	(2,023)	29,335
Taxation	(98)	(1,851)	(6,575)	42	(171)	(8,653)	7	(8,646)
Consolidated profit/(loss) after taxation	27,634	8,713	19,566	(20)	(33,967)	22,705	(2,016)	20,689



Interim Report for the 6-months Financial Period Ended 30 June 2023

6-months ended 30 June 2022								
Continuing Operations						Discontinued Operations	Total	
Investment Holding	Agriculture	Specialty Chemicals	Others	Elimination	Total	Consumer Products		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
SEGMENTAL REPORTING								
REVENUE AND EXPENSES								
Revenue								
External	-	199,766	105,131	-		304,897	11,391	316,288
Inter-segment	32,702	-	-	-	(32,702)	-	-	-
Total revenue	32,702	199,766	105,131	-	(32,702)	304,897	11,391	316,288
Results								
Segment results	43,633	25,482	23,359	(83)	(45,207)	47,184	(840)	46,344
Finance costs	(3,049)	(1,307)	(391)	-	-	(4,747)	(147)	(4,894)
Finance income	3	57	247	2	-	309	3	312
Share of result of a joint venture	-	229	-	-	-	229	-	229
Profit/(Loss) before taxation	40,587	24,461	23,215	(81)	(45,207)	42,975	(984)	41,991
Taxation	(27)	(5,590)	(4,252)	1	153	(9,715)	9	(9,706)
Consolidated profit/(loss) after taxation	40,560	18,871	18,963	(80)	(45,054)	33,260	(975)	32,285



Interim Report for the 6-months Financial Period Ended 30 June 2023

10. Valuation of Property, Plant and Equipment

The values of property, plant and equipment have been brought forward without amendments from the Company's previous annual audited financial statements for the financial year ended 31 December 2022.

11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the financial period under review, other than the following:-

- (a) On 6 June 2023, Hextar has completed the Proposed Divestment which resulted in Hextar exiting the Consumer Products segment. The Consumer Products Segment consists of Halex Woolton (M) Sdn Bhd ("HxW") and Halex Marketing Sdn Bhd ("HMkt") which were divested to a non-related third party, for a total consideration of RM3.5 million pursuant to two share sale agreements dated 15 May 2023. The profit arising from the disposal is as follows:-

	Group As at 6/6/2023 RM'000
Disposal proceeds	3,500
Less: Cost of Investment in HxW and HMkt	(16,574)
Add: Realisation of post-acquisition losses of HxW and HMkt	13,601
Gain on disposal	<u>527</u>

- (b) On 22 June 2023, Hextar has entered into a share sale agreement with Hextar Holdings Sdn Bhd ("HHSB") to acquire 100% equity interest and obtain full ownership of Hextar Industrial Chemicals Sdn Bhd from HHSB for a total consideration of RM10.0 million fully satisfied in cash.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

- (i) Fair Value of Purchase Consideration

	Group and Company As at 22/6/2023 RM'000
Cash	10,000
Total purchase consideration	<u>10,000</u>



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(ii) Identifiable Assets Acquired and Liabilities Assumed

	Group As at 22/6/2023 RM'000
Property, plant and equipment	70
Right-of-use assets	1,279
Inventories	4,522
Trade receivables	7,148
Other receivables, deposits and prepayments	1,184
Current tax assets	376
Amount owing by related company	369
Amount owing by related parties	69
Cash and cash equivalents	1,724
Trade payables	(342)
Other payables	(295)
Amount due to related company	(8)
Bills payable	(9,245)
Lease liabilities	(1,291)
Fair value of net identifiable assets acquired and liabilities assumed	<u>5,560</u>

12. Contingent Liabilities

The contingent liabilities are as follows:

	Company As at 30/06/2023 RM'000
Guarantees provided to financial institutions for facilities granted to the Group	<u>536,169</u>



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13. Capital Commitments

There were no material capital commitments entered into and not provided for by the Group during the current quarter under review other than the following:-

	Group As at 30/06/2023 RM'000
Variable deferred consideration in relation to the acquisition of subsidiaries	36,712
Property and equipment	<u>922</u>

14. Material Events Subsequent to the End of the Interim Reporting Period

There were no material events subsequent to the end of the interim reporting period reported, other than the following:-

On 3 July 2023, the Company announced that its 51% owned subsidiary, Hextar Fruits Sdn Bhd, has entered into a share sale agreement with PHG Ever Fresh Group Sdn Bhd to acquire 100% equity interest in three of its subsidiary companies, namely PHG.Ever Fresh Food (M) Sdn Bhd, PHG.Ever Fresh Food (TK) Sdn Bhd and PHG Wholesale & Retails Sdn Bhd as well as a 55% equity interest in PHG Ever Fresh Plantation Sdn Bhd for a total consideration of RM84 million ("Proposed Acquisition").

On 20 July 2023, the Company announced that the Group propose to diversify its existing businesses to include the business of trading of commodities, which include trading of agriculture produce, energy resources as well as metals and minerals, and precious metals ("Proposed Diversification").

Further to the announcement on 20 July 2023, and after reviewing the Group's business strategy in relation to the Proposed Diversification, subsequently on 11 August 2023, the Company announced to narrow the scope of commodities which include trading of agriculture produce only.

With reference to the announcement dated 20 July 2023 and 11 August 2023, the Company has on 15 August 2023 clarified the Proposed Diversification is for the business of trading and distribution of durian ("Durian Business").

The Board anticipates that the Durian Business will potentially contribute 25% or more of the Group's net profit and/or result in a diversion of 25% or more of the net assets of the Group. Pursuant to Paragraph 10.13(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board proposes to seek approval from the shareholders of Hextar in an extraordinary general meeting to be convened for the Proposed Acquisition and Proposed Diversification. If approved, the Group will become principally involved in the existing Businesses as well as the Durian Business.



Interim Report for the 6-months Financial Period Ended 30 June 2023

15. Related Party Transactions

The related parties comprising of directors and/or major shareholders of Hextar Global Berhad who are either the directors and/or major shareholders of the Company or the persons connected with the Company by virtue of Section 197 Companies Act 2016. The following table provides information on the transactions which have been entered into with the related parties for the period ended 30 June 2023.

	Transaction Value 30/06/2023 RM'000
Sales of raw materials/finished goods:-	
PT Delta Giri Wacana	3,574
PT Dharma Guna Wibawa	1,175
Hextar Oil & Gas Sdn. Bhd.	1,365
Binapuri Sakti Sdn. Bhd.	235
Hextar Fert Sdn. Bhd.	1
Hextar KCS Sdn. Bhd.	22
Hextar Solutions Sdn. Bhd.	5
Purchase of raw materials/finished goods:-	
Hextar Fert Sdn. Bhd.	210
Hextar Industrial Chemicals Sdn. Bhd.	1,007
Provision of service to supply and install civil foundation	
Hextar Mitai Sdn. Bhd.	363
Receiving of management services:-	
Hextar Asset Management Sdn. Bhd.	<u>1,170</u>



Interim Report for the 6-months Financial Period Ended 30 June 2023

B. ADDITIONAL INFORMATION REQUIRED PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

1. Review of Performance of the Group

The Group's revenue soften to RM133.5 million amid lower revenue contribution from the Agriculture segment by RM28.3 million driven by subdued selling prices on key herbicide products, coupled with lower revenue from the Consumer Products segment, which had been divested by the Group in the current quarter; however, the situation was moderated by a stable revenue growth in Specialty Chemicals segment led by an improved and better performance from the oil and gas industry.

Consequently, the Group recorded a profit before taxation of RM16.2 million for the current quarter against the RM20.8 million achieved in the corresponding quarter last year on the back of lower revenue coupled with higher operating expenses and finance costs.

On year-to-date basis, the Group registered a revenue of RM272.2 million for the cumulative quarter under review compared to RM304.9 million for the cumulative quarter of the preceding year, representing a decrease of 10.7% or RM32.7 million. It was mainly due to lower revenue contributed from Agriculture segment, but the impact was moderated by higher revenue of RM10.6 million recorded by Specialty Chemicals segment.

The Group's cumulative profit before taxation generated from continuing operations recorded at RM31.4 million, decreased by 27.0% or RM11.6 million compared to RM43.0 million achieved for 6-months in the earlier year, stemming from unsatisfactory margin of the Agrochemical products, higher operating expenses and finance costs. Besides, the Consumer Products segment which had discontinued its operations by the end of May had also recorded a RM2.0 million loss for the period.

2. Comparisons with the Immediate Preceding Quarter's Results

	3-months Current Quarter ended 30/6/2023 (RM'000)	3-months Preceding Quarter ended 31/3/2023 (RM'000)
Revenue		
- Continuing operations	133,480	138,742
- Discontinued operations	2,050	4,589
Total	135,530	143,331
Profit/(Loss) before taxation		
- Continuing operations	16,162	15,196
- Discontinued operations	(568)	(1,455)
Total	15,594	13,741

On a quarter-on-quarter basis, the Group revenue recorded of RM135.5 million compared to RM143.3 million achieved in the immediately preceding quarter, representing a fall of 5.4% or RM7.8 million mainly due to lower revenue contribution from the Agriculture Segment by RM6.9 million and the absence generating revenue from discontinued operations, being the Consumer Products segment by RM2.5 million despite higher revenue contribution from Special Chemicals Segment by RM1.6 million.

Profit before taxation from continuing operations improved by approximately RM1.0 million to RM16.2 million mainly driven by higher profit margins earned from the Specialty Chemicals segment, in addition to the Group discontinuing its operations of the Consumer Products segment which had immediately prevented the Group from incurring further losses.



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3. Year 2023 Prospects

Agriculture

We are optimistic about the outlook of the agriculture industry as population expansion will lead to growing demand for food. Increasing adoption of precision farming methods, shrinking arable land due to increasing population and rapid urbanisation as well as industrialisation across the globe are also among the key factors driving demand for agrochemicals. Hence, we will continue focusing on our sales and marketing efforts to expand our markets and increase our revenue while maintaining our local market leadership position. We also remain committed to the ESG agenda and continue to invest in developing our product range to offer a wider variety of effective and eco-friendly green products. The Board is confident that the segment will continue to contribute positively to the Group's sustainable income in the year 2023.

Specialty Chemicals

The specialty cleaning chemicals market is expected to rebound strongly in 2023 led by a strong global recovery and robust demand for specialty cleaning chemicals from institutions, hotels and restaurants. We will continue our best effort to offer services and support along with our products that are constantly being improved through further research and development to ensure the product range remains competitive.

The market for special derivative and coating chemicals used in the rubber industry is expected to have moderate growth amid challenging market conditions as the gloves industries' plant utilisation rate remains low and gloves average selling price weakness persists. We will continue to diversify and expand to other Asian markets aside from Malaysia. The segment is committed to enhancing and producing new chemical innovations to create higher value products for customers.

For the current year, the outlook for the specialty chemicals and catalysts business for the oil & gas industry is generally positive as the oil & gas industry has rebounded strongly in 2022 and we expect to see a continuing rise in demand in 2023 based on observed trends in the industry with prices remaining high for the most part.

The Board is of the opinion that the divestment of the Consumer Products segment is not expected to have any major impact to the Group's financial performance. The exit of this business segment will enable the Group to refocus its resources on driving the growth of the Agriculture and Specialty Chemicals businesses.

4. Financial Forecast and Profit Guarantee

The Group has not provided any financial forecast or profit guarantee in any public document.



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5. Taxation

The taxation figures are as follows:-

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/06/2023 RM'000	Preceding Year Quarter 30/06/2022 RM'000	Current Year to-Date 30/06/2023 RM'000	Preceding Year to-Date 30/06/2022 RM'000
Deferred tax	(449)	(34)	(656)	109
Income tax	(3,881)	(4,598)	(7,997)	(9,824)
	<u>(4,330)</u>	<u>(4,632)</u>	<u>(8,653)</u>	<u>(9,715)</u>

The effective tax rate for both the current quarter and year-to-date under review for the Group was higher than the statutory tax rate of 24% mainly due to certain expenses being non-deductible for tax purposes and the provision of deferred tax.

6. Status of Corporate Proposal

On 28 February 2023, the Company proposed to undertake a bonus issue of up to 2,626,174,568 new ordinary shares in the Company on the basis of two (2) Bonus Shares for every one (1) existing ordinary shares of the Company held ("Proposed Bonus Issue"). On 31 March 2023, the Proposed Bonus Issue was tabled at the Extraordinary General Meeting and subsequently approved by the shareholders. On 19 April 2023, the Company announced the Bonus Issue of Shares has been completed following the listing and quotation of 2,626,568 Bonus Issue based on the entitlement date of 18 April 2023.

On 15 May 2023, Hextar has entered into a share sale agreement with Hextar Holdings Sdn Bhd ("HHSB") to acquire 100% equity interest and obtain full ownership of Hextar Industrial Chemicals Sdn Bhd from HHSB for a total consideration of RM10.0 million fully satisfied in cash. Subsequently on 22 June 2023, the Company announced the completion of the proposed acquisition upon fulfilment of all conditions precedent to the share sale agreement.

On 15 May 2023, Hextar has also undertaken the Proposed Divestment which resulted in Hextar exiting the Consumer Products segment. The Consumer Products segment consists of Halex Woolton (M) Sdn Bhd and Halex Marketing Sdn Bhd which was divested to a non-related third party, for a total consideration of RM3.5 million pursuant to two share sale agreements dated 15 May 2023. The Company announced that the proposed disposals have been completed on 6 June 2023 upon the fulfilment of all obligations pursuant to the conditional share sale agreements.



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7. Borrowings

The Group's borrowings as at 30 June 2023 and 31 December 2022 are as follows:

	As at 30/06/2023 RM'000	As at 31/12/2022 RM'000
Short-term borrowings		
<u>Secured</u>		
Term loans	2,555	2,501
Hire purchases	895	622
<u>Unsecured</u>		
Term loans	17,660	14,860
Bills payable	76,346	62,412
Revolving credit	18,650	30,720
	<u>116,106</u>	<u>111,115</u>
Long-term borrowings		
<u>Secured</u>		
Term loan	12,539	13,427
Hire purchases	1,882	1,363
<u>Unsecured</u>		
Term loans	126,385	108,615
	<u>140,806</u>	<u>123,405</u>
Total	<u>256,912</u>	<u>234,520</u>

8. Material Litigation

There were no material litigations involving the Group as at the date of this interim report.



Interim Report for the 6-months Financial Period Ended 30 June 2023

9. Earnings Per Share

a. Basic

The basic earnings per share are calculated by dividing the earnings attributable to equity holders of the Company for the period by the weighted average number of ordinary shares in issue during the financial period under review.

	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year	Year
	Quarter	Quarter	to-Date	to-Date
	30/6/2023	30/6/2022	30/6/2023	30/6/2022
Profit/(Loss) attributable to equity holders of the Company (RM'000)				
- Continuing operations	9,235	15,620	19,314	31,922
- Discontinued operations	(565)	(320)	(2,016)	(975)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Weighted average number of ordinary shares in issue ('000) ^	3,876,067	3,904,847	3,869,936	3,908,058
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Basic earnings per share (sen)				
- Continuing operations	0.24	0.40	0.50	0.82
- Discontinued operations	(0.01)	(0.01)	(0.05)	(0.02)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

^ The calculation of basic earnings per share for the previous financial period has been adjusted retrospectively to reflect the changes in the number of shares as a result of the bonus issue.

b. Diluted

The calculation of diluted earnings per ordinary share is the same with basic earnings per ordinary share as the Group has no dilutive potential ordinary shares.



Interim Report for the 6-months Financial Period Ended 30 June 2023

10. Notes to the Statements of Profit or Loss and Other Comprehensive Income

Profit before taxation is arrived at after charging/(crediting):-

	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year Quarter	Year Quarter	Year-to-Date	Year-to-Date
	30/6/2023	30/6/2022	30/6/2023	30/6/2022
	RM'000	RM'000	RM'000	RM'000
Amortisation	159	161	320	300
Depreciation	4,756	2,759	8,578	5,370
Equipment written off	1	-	1	-
Loss on disposal of plant and equipment	111	-	36	-
Impairment loss on trade receivables	(293)	101	-	146
Interest expense	5,404	2,735	8,757	4,894
Interest income	(384)	(37)	(650)	(312)
Share of profit of a joint venture	(47)	(29)	(159)	(229)
Gain on forward currency contracts	-	-	(243)	-
Gain on disposal of investment in subsidiaries	(527)	-	(527)	-
Unrealised loss on foreign exchange	1,406	677	1,539	340

By Order of the Board
HEXTAR GLOBAL BERHAD
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Ong Wai Leng
Company Secretary
Kuala Lumpur
21 Aug 2023