



HEXTAR INDUSTRIES BERHAD

201101044580 (972700-P)
(Incorporated in Malaysia)

Interim Financial Report
For the Second (2nd) Quarter Ended
30 June 2023

HEXTAR INDUSTRIES BERHAD
201101044580 (972700-P)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2023

	<--Individual Quarter-->		<--Cumulative Quarter-->	
	Unaudited 3 Months Ended 30.06.2023 RM'000	Unaudited 3 Months Ended 30.06.2022 RM'000	Unaudited 6 Months Ended 30.06.2023 RM'000	Unaudited 6 Months Ended 30.06.2022 RM'000
Revenue	251,401	N/A	520,828	N/A
Cost of Sales	(205,029)	N/A	(426,287)	N/A
Gross Profit	46,372	N/A	94,541	N/A
Other operating income	2,004	N/A	3,242	N/A
Administrative expenses	(8,236)	N/A	(16,973)	N/A
Selling and distribution expenses	(8,384)	N/A	(15,996)	N/A
Profit from operations	31,756	N/A	64,814	N/A
Finance costs	(4,690)	N/A	(9,587)	N/A
Profit before taxation	27,066	N/A	55,227	N/A
Taxation	(5,853)	N/A	(13,592)	N/A
Profit/Total comprehensive income for the financial year	21,213	N/A	41,635	N/A
Profit/Total comprehensive income attributable to:				
- Owners of the company	21,213	N/A	41,635	N/A
- Non-controlling interest	-	N/A	-	N/A
	<u>21,213</u>	<u>N/A</u>	<u>41,635</u>	<u>N/A</u>

Note: Pursuant to the change in the financial year end from 31 August 2022 to 31 December 2022, there are no comparative figures presented.

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial report.

HEXTAR INDUSTRIES BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Unaudited as at 30.06.2023 RM'000	Audited as at 31.12.2022 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	224,798	231,856
Goodwill on consolidation	14,430	14,430
Trade receivables	670	925
	239,898	247,211
CURRENT ASSETS		
Inventories	194,424	280,347
Trade receivables	294,820	254,254
Other receivables, prepayments and deposits	20,971	20,830
Tax recoverable	631	1,154
Derivative assets	-	113
Fixed deposit with licensed banks	292	403
Cash and bank balances	75,747	76,089
	586,885	633,190
Non-current assets held for sale	-	267
	586,885	633,457
TOTAL ASSETS	826,783	880,668
EQUITY AND LIABILITIES		
EQUITY		
Share capital	671,443	671,443
Merger deficit reserve	(559,301)	(559,301)
Revaluation reserve	35,791	36,261
Retained earnings	216,883	202,251
TOTAL EQUITY	364,816	350,654
CURRENT LIABILITIES		
Trade payables	88,854	104,695
Other payables and accruals	42,909	41,995
Contract liabilities	301	397
Lease liabilities	5,615	5,977
Bank borrowings	169,239	224,461
Derivative liabilities	3	474
Tax payable	18,925	10,304
	325,846	388,303

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023 (CONTINUED)

	Unaudited as at 30.06.2023 RM'000	Audited as at 31.12.2022 RM'000
NON-CURRENT LIABILITIES		
Lease liabilities	63,969	68,538
Bank borrowings	46,391	50,502
Deferred tax liabilities	25,761	22,671
	136,121	141,711
TOTAL LIABILITIES	461,967	530,014
TOTAL EQUITY AND LIABILITIES	826,783	880,668
NET ASSET PER SHARE (sen)	13.28	12.76

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

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2023

Unaudited	<i><- Attributable to the Owners of the Company -></i>				Total Equity
	Share Capital	Merger Reserve	Revaluation Reserve	Retained Earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2023	671,443	(559,301)	36,261	202,251	350,654
- Profit after tax for the financial year	-	-	-	41,635	41,635
- Dividend paid	-	-	-	(27,473)	(27,473)
- Realisation of revaluation reserve	-	-	(470)	470	-
Balance as at 30 June 2023	<u>671,443</u>	<u>(559,301)</u>	<u>35,791</u>	<u>216,883</u>	<u>364,816</u>

Note: Pursuant to the change in the financial year end from 31 August 2022 to 31 December 2022, there are no comparative figures presented.

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2023

	Unaudited 6 months ended 30.06.2023 RM'000	Unaudited 6 months ended 30.06.2022 RM'000
Cash Flows From Operating Activities		
Profit before taxation	55,227	N/A
Adjustment for:		
Depreciation of property, plant and equipment	9,240	N/A
Gain on lease modification	(288)	N/A
Gain on disposal of non current asset held for sale	(283)	
Gain on disposal of property, plant and equipment	(203)	N/A
Inventories written down	3,634	N/A
Property, plant and equipment written off	2	N/A
Net recovery on trade receivables	(461)	N/A
Unrealised gain on foreign exchange	(1,158)	N/A
Interest expenses	9,587	N/A
Interest income	(528)	N/A
Operating profit before working capital changes	74,769	N/A
Changes in working capital:		
Inventories	82,390	N/A
Trade and other receivables	(40,615)	N/A
Trade and other payables	(13,879)	N/A
	27,896	N/A
Cash generated from operations	102,665	N/A
Interest received	528	N/A
Interest paid	(9,587)	N/A
Tax paid	(1,382)	N/A
Tax refunded	20	N/A
	(10,421)	N/A
Net cash generated from operating activities	92,244	N/A

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND (2ND) QUARTER ENDED 30 JUNE 2023 (CONTINUED)

	Unaudited 6 months ended 30.06.2023 RM'000	Unaudited 6 months ended 30.06.2022 RM'000
Cash Flow From Investing Activities		
Purchase of property, plant and equipment	(4,242)	N/A
Proceed from disposal of property, plant and equipment	830	N/A
Net cash used in investing activities	<u>(3,412)</u>	<u>N/A</u>
Cash Flow From Financing Activities		
Dividend paid	(27,473)	N/A
Repayment of borrowings	(58,350)	N/A
Advances from related parties	282	N/A
Net cash used in financing activities	<u>(85,541)</u>	<u>N/A</u>
Net increase in cash and cash equivalents	3,291	N/A
Cash and cash equivalents at beginning of the financial period	72,456	N/A
Cash and cash equivalents at end of the financial period	<u>75,747</u>	<u>N/A</u>
Cash and cash equivalents at end of the financial period comprises:		
- Fixed deposits placed with licensed banks	292	N/A
- Cash and bank balances	75,747	N/A
	<u>76,039</u>	<u>N/A</u>
Less: Fixed deposits pledged with licensed banks	<u>(292)</u>	<u>N/A</u>
	<u>75,747</u>	<u>N/A</u>

Note: Pursuant to the change in the financial year end from 31 August 2022 to 31 December 2022, there are no comparative figures presented.

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

NOTES TO THE INTERIM FINANCIAL REPORT

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2023

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") No. 134: Interim Financial Reporting and Paragraph 9.22 and Appendix 9B of the ACE Listing Requirements ("Listing Requirement").

The interim financial statements should be read in conjunction with the audited financial statements of Hextar Industries Berhad ("HIB" or "the Group") for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.

The significant accounting policies adopted in preparation of this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2022, except for the adoption of the new MFRS, amendments to MFRSs and IC Interpretation as below:

MFRS 17: Insurance Contracts
Amendments to MFRS 17: Insurance Contracts
Amendments to MFRS 101: Disclosures of Accounting Policies
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 adoption above mentioned standards did not have any material impact on this interim financial report.

As announced on 18 August 2022, HIB has changed its financial year end from 31 August to 31 December. As such, there is no comparative figures presented in this report.

A2. Auditors' report of preceding annual audited financial statements

The auditors' report on the preceding year audited financial statements are not subject to any qualification.

A3. Seasonal or cyclical factors

The businesses of the Group are not affected by seasonal or cyclical factors.

A4. Unusual items

There are no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial year under review.

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A5. Material changes in estimates

There are no changes in the estimates of amounts reported in prior financial years that had a material effect on the current financial year under review.

A6. Debt and equity securities

There are no issuances, cancellations, repurchases, resales, repayments of debts and/or securities, shares held as treasury shares or the resale of treasury shares during the financial year ended 31 December 2023.

A7. Segmental information

The Group's revenues are derived from three (3) reportable segments, as below:

	3-months quarter ended 30 June 2023				
	Fertilisers RM'000	Industrial Products RM'000	Investment Holding RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External sales	238,757	12,644	-	-	251,401
Inter-segment sales	27,408	345	2,561	(30,314)	-
Total	266,165	12,989	2,561	(30,314)	251,401
Results					
Segment results	29,848	1,262	48	293	31,451
Finance costs	(4,566)	(100)	(24)	-	(4,690)
Finance income	170	54	81	-	305
Profit before taxation	25,452	1,216	105	293	27,066
Taxation	(5,395)	(149)	(29)	(280)	(5,853)
Profit after taxation	20,057	1,067	76	13	21,213

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A7. Segmental information (Continued)

	6-months quarter ended 30 June 2023				Consolidated RM'000
	Fertilisers RM'000	Industrial Products RM'000	Investment Holding RM'000	Elimination RM'000	
Revenue					
External sales	493,657	27,171	-	-	520,828
Inter-segment sales	77,447	2,266	2,561	(82,274)	-
Total	571,104	29,437	2,561	(82,274)	520,828
Results					
Segment results	60,759	3,311	(77)	293	64,286
Finance costs	(9,397)	(166)	(24)	-	(9,587)
Finance income	224	118	186	-	528
Profit before taxation	51,586	3,263	85	293	55,227
Taxation	(12,669)	(589)	(54)	(280)	(13,592)
Profit after taxation	38,917	2,674	31	13	41,635

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A8. Dividend Paid

On 22 February 2023, the Company declared an interim single-tier dividend of 1 sen per ordinary share total RM27,473,416 in respect of the financial period ended 31 December 2022, which had been paid on 15 March 2023.

A9. Valuation of property, plant and equipment

The Group has not carried out any valuation on its property, plant and equipment in the current financial period under review.

A10. Capital commitments

There are no material capital commitments as at the date of this report.

A11. Changes in the composition of the Group

There are no changes in the composition of the Group for the current financial period ended 30 June 2023.

A12. Contingent liabilities and contingent assets

There are no contingent liabilities and contingent assets as at the date of this financial report.

A13. Material events subsequent to the end of the quarter

There are no other material events subsequent to the end of current financial year under review that have not been reflected in this interim financial report.

A14. Related party transactions

Transaction with companies in which the major shareholders of the Group has interest for the current quarter ended 30 June 2023 are as follows: -

	<--Individual Quarter-->		<--Cumulative Quarter-->	
	Unaudited 3 Months Ended 30.06.2023 RM'000	Unaudited 3 Months Ended 30.06.2022 RM'000	Unaudited 6 Months Ended 30.06.2023 RM'000	Unaudited 6 Months Ended 30.06.2022 RM'000
<u>Income</u>				
Sales of fertilisers	177	N/A	197	N/A
Sales or rental of equipment	32	N/A	494	N/A
<u>Purchase/Expenditure</u>				
Rental of factories and warehouses	(1,989)	N/A	(3,979)	N/A
Rental of office	(19)	N/A	(38)	N/A
Hiring of lorry	(65)	N/A	(114)	N/A
Purchase of fertilisers	(76)	N/A	(79)	N/A
Management fee	(390)	N/A	(780)	N/A
Transportation charges	(38)	N/A	(54)	N/A
Administrative expenses	(120)	N/A	(120)	N/A

The transactions are carried out in the ordinary course of business and on normal commercial terms.

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B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Review of performance

	<--Individual Quarter-->		<-- Cumulative Quarter -->	
	Unaudited 3 Months Ended 30.06.2023 RM'000	Unaudited 3 Months Ended 30.06.2022 RM'000	Unaudited 6 Months Ended 30.06.2023 RM'000	Unaudited 6 Months Ended 30.06.2022 RM'000
Revenue	251,401	N/A	520,828	N/A
Profit before tax	27,066	N/A	55,227	N/A
Profit after tax	21,213	N/A	41,635	N/A

As announced on 18 August 2022, the Group has changed its financial year end from 31 August to 31 December. As such, there is no comparative figures for the corresponding quarter.

The Group registered a quarterly consolidated revenue of RM251 million, profit before tax ("PBT") of RM27.1 million and profit after tax ("PAT") of RM21.2 million for the second quarter ended 30 June 2023 ("Q2/23"). The Fertiliser Division contributed RM239 million or 95% to the Group's revenue. This is highest PAT reported in the quarterly interim financial report since listed (2014) on the ACE Market of Bursa Securities Malaysia.

For the current financial period (6-months) under review, the Group registered revenue of RM521 million, PBT of RM55.2 million and PAT of RM41.6 million. The profitability mostly attributable to higher gross profit margin achieved in the Fertilisers Division. The gross profit margin has improved to 17.4%, from 16.5% recorded in financial period ended 31 December 2022 and 11.3% recorded in financial year ended 31 August 2021.

Heavy Equipment Division and Equipment Rental Division have been combined together and re-named the division as Industrial Products for the corporate reporting purpose. The Industrial Products Division currently contributed approximately 5% of the Group revenue for the current financial period under review.

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B2. Comparison with immediate preceding quarter's results

	Quarter ended 30.06.2023 ("Q2/23") RM'000	Quarter ended 31.03.2023 ("Q1/23") RM'000	Changes RM'000	Changes (%)
Revenue	251,401	269,427	(18,026)	-6.7%
Profit before tax	27,066	28,161	(1,095)	-3.9%
Profit after tax	21,213	20,422	791	3.9%

For the current quarter under review, the Group reported lower revenue of RM251 million, a decreased by 6.7% as compared to revenue reported in the preceding quarter ("Q1/23") of RM269 million. Lower revenue principally due the lower average selling price and the application of fertilisers also affected by Hari Raya Aidilfitri and Gawai Dayak Festivals. Accordingly with the lower revenue attained, the Group reported a lower pre-tax of RM27.1 million, but the lower tax provisions in the current quarter resulted in higher profit after tax of RM21.2 million as compared to Q1/23 (RM20.4 million).

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B2. Prospects

Fertilisers

The local fertiliser industry is expected to recover and grow due to market player within the industry rearranging operation, which had in past, restricted by the labour shortage and containment measures of Covid-19. The demand for fertiliser is also expected to be driven by food security issue, together with the continuous interest of government in the development of plantation crops and trying to attain self-sufficiency in some major commodities.

Our enlarged HIB Group is now well-positioned to increase revenue and customer base. We are expanding our range of fertiliser products and offer value-added services to our existing and new customers This provides us the leverage to tap into a bigger market and establish the HIB Group as a market leader in the fertiliser industry. Moving forward, HIB will focus on expanding the export market to fuel the growth of the Group, particularly in Indonesia and Myanmar.

Industrial Products

The progress of construction works expected to gain momentum, including but not limited to LRT 3, Mass Rapid Transit Line 3 (MRT 3), Pan Borneo Highway, East Coast Highway, Bayan Lepas Light Rail Transit (BLLRT), and the ongoing flood mitigation initiatives across the country may drive the growth of quarrying activities. This may generate higher demand for our heavy equipment machines, tools and parts.

The ongoing travel recovery in Asia and China's reopening this year in 2023 is considered a critical driver for the revival of tourism industry and also expected to have a positive impact on the events industry. Hence, our equipment rental business is likely to experience a good recovery from the pandemic.

B3. Profit forecast

The Group does not have any profit forecast in the public documents.

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B4. Taxation

	<--Individual Quarter-->		<--Cumulative Quarter-->	
	Unaudited 3 Months Ended 30.06.2023 RM'000	Unaudited 3 Months Ended 30.06.2022 RM'000	Unaudited 6 Months Ended 30.06.2023 RM'000	Unaudited 6 Months Ended 30.06.2022 RM'000
Income tax expense	2,770	N/A	10,595	N/A
Deferred tax	3,083	N/A	2,997	N/A
	<u>5,853</u>	<u>N/A</u>	<u>13,592</u>	<u>N/A</u>

The effective tax for current financial year under review is higher than the Malaysian statutory tax rate of 24% is mainly due to certain expenses were not allowable for tax deduction.

B5. Status of corporate proposals announced

There are no corporate proposals that had announced but not completed as at the date of this report.

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B6. Borrowings

The Group's borrowings are as follows: -

	Unaudited as at 30.06.2023 RM'000	Audited as at 31.12.2022 RM'000
Secured		
Bankers' acceptance	151,204	199,449
Revolving credit	2,663	12,800
Bank overdraft	-	3,747
Hire purchases	3,282	3,853
Term loans	51,481	55,114
Total bank borrowings	208,630	274,963
Short Term		
Bankers' acceptance	151,204	199,449
Foreign currency loan (dominated in USD)	2,663	-
Revolving credit	7,000	12,800
Bank overdraft	-	3,747
Hire purchases	1,112	1,143
Term loans	7,260	7,322
	169,239	224,461
Long Term		
Hire purchases	2,170	2,710
Term loans	44,221	47,792
	46,391	50,502

B7. Changes in material litigation

As at the date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group, and the Board is not aware of any proceedings pending or of any fact likely to give rise to any proceedings.

B8. Dividend

On 24 August 2023, the Company had proposed an interim single tier dividend of 1 sen per ordinary share in respect of financial year ending 31 December 2023.

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B9. Basic earnings per share/Diluted earnings per share

The basic earnings per share is calculated based on the Group's profit attributable to equity holders of the Company divided by the weighted average number of ordinary shares as follows:

	<--Individual Quarter--> Ended		<--Cumulative Quarter--> Ended	
	30.06.2023 RM'000	30.06.2022 RM'000	30.06.2023 RM'000	30.06.2022 RM'000
Profit attributable to ordinary equity holders of the Group	21,213	N/A	41,635	N/A
Weighted average number of ordinary shares in issue ('000)	2,747,342	N/A	2,747,342	N/A
Basic earnings per share (sen)	0.77	N/A	1.52	N/A

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B10. Disclosure on selected expense/income items as required by the Listing Requirements

	<--Individual Quarter-->		<--Cumulative Quarter-->	
	Unaudited 3 Months Ended 30.06.2023 RM'000	Unaudited 3 Months Ended 30.06.2022 RM'000	Unaudited 6 Months Ended 30.06.2023 RM'000	Unaudited 6 Months Ended 30.06.2022 RM'000
Profit before taxation is arrived at after charging/(crediting):-				
- Depreciation of property, plant and equipment	4,631	N/A	9,240	N/A
- Gain on disposal of non-current asset held for sale	(283)	N/A	(283)	N/A
- Gain on disposal of property, plant and equipment	(25)	N/A	(203)	N/A
- Gain on lease modification	(22)	N/A	(288)	N/A
- Interest expenses	4,690	N/A	9,587	N/A
- Interest income	(305)	N/A	(528)	N/A
- (Reversal)/Inventories written down	(1,790)	N/A	3,634	N/A
- Property, plant and equipment written off	2	N/A	2	N/A
- Net recovery on trade receivables	(470)	N/A	(461)	N/A
- Realised gain on foreign exchange	(1,470)	N/A	(464)	N/A
- Unrealised gain on foreign exchange	(1,042)	N/A	(1,158)	N/A

B11. Comparative figures

Pursuant to the change in the financial year end from 31 August 2022 to 31 December 2022, there are no comparative figures presented.

BY ORDER OF THE BOARD
24 Aug 2023