



HEXTAR GLOBAL BERHAD

Company No.: 199001014551 (206220-U)

(Formerly known as Halex Holdings Berhad)

(Incorporated in Malaysia)

Interim Report For the 12-months Financial Period Ended 31 December 2019



Interim Report for the 12-months Financial Period Ended 31 December 2019

Unaudited Condensed Statements of Profit or Loss and Other Comprehensive Income

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(3-mths) Current Year Quarter 31/12/2019 RM'000	(3-mths) Preceding Year Quarter 31/12/2018 RM'000	(12-mths) Current Period to-Date 31/12/2019 RM'000	(12-mths) Preceding Period to-Date 31/12/2018 RM'000
Revenue	82,765	65,468	337,278	273,993
Cost of sales	(64,722)	(53,935)	(271,508)	(219,441)
Gross profit	18,043	11,533	65,770	54,552
Other income	1,975	3,370	4,132	5,836
Selling and marketing expenses	(2,474)	(838)	(8,826)	(5,077)
Administrative and other expenses	(5,991)	(3,872)	(22,008)	(14,343)
Impairment of goodwill	-	-	(23,987)	-
Finance costs	(998)	(720)	(4,322)	(3,116)
Share of results of joint venture	123	42	423	299
Profit before taxation	10,678	9,515	11,182	38,151
Less: Taxation	(2,909)	(1,016)	(8,759)	(6,220)
Profit after taxation	7,769	8,499	2,423	31,931
Other comprehensive income:-				
Revaluation of property	-	-	-	2,412
Foreign currency translation	(1)	-	-	-
Other comprehensive income for the financial period	(1)	-	-	2,412
Total comprehensive income for the financial period	7,768	8,499	2,423	34,343
Profit for the financial period attributable to:-				
Owners of the Parent	7,769	8,499	2,423	31,931
Total comprehensive income attributable to:-				
Owners of the Parent	7,768	8,499	2,423	34,343
Earnings per share				
Basic (sen)	0.95	1.19	0.30	4.47
Diluted (sen)	n/a	n/a	n/a	n/a

Note 1: As a result of the Reverse Acquisition of Hextar Global Berhad ("HGB") (formerly known as Halex Holdings Berhad) by Hextar Chemicals Limited ("HCL") as explained in Part A, Note 1 to the interim financial report. The current cumulative quarter covers from 1 January 2019 to 31 December 2019 for HCL and from 1 May 2019 to 31 December 2019 for HGB.

Note 2: The comparative figures of the individual quarter and cumulative quarter refer to the financial figures of HCL due to the Reverse Acquisition as explained in Part A, Note 1.

The unaudited Condensed Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements of HCL Group for the financial year ended 31 December 2018 and the accompanying notes attached to this interim financial report.



Interim Report for the 12-months Financial Period Ended 31 December 2019

Unaudited Condensed Statements of Financial Position

	Unaudited as at 31/12/2019 RM'000	Audited as at 31/12/2018 RM'000
ASSETS		
Non-current assets		
Investment in joint venture	2,936	2,513
Property, plant and equipment	46,752	32,048
Investment properties	5,249	-
Right-of-use assets	17,293	-
Other investments	74	48
Intangible assets	1,207	1,075
Goodwill	7,449	7,449
Prepayment	2,872	4,357
Total non-current assets	83,832	47,490
Current assets		
Inventories	79,190	72,979
Trade receivables	124,137	112,601
Other receivables, deposits and prepayments	5,567	4,452
Amount owing by related companies	2,319	5,504
Current tax assets	454	36
Deposits with licensed banks	116	42
Cash and bank balances	29,435	13,879
Total current assets	241,218	209,493
Asset classified as held-for-sales	30,722	-
TOTAL ASSETS	355,772	256,983
EQUITY AND LIABILITIES		
Equity		
Share capital	85,838	#
Share premium *	84,075	84,075
Revaluation reserve	7,541	7,676
Retained profits	7,887	52,612
TOTAL EQUITY	185,341	144,363
Non-current liabilities		
Term loans	12,719	7,840
Lease liabilities	734	129
Deferred tax liabilities	9,533	6,826
Total non-current liabilities	22,986	14,795

Amount below RM1,000.

* The share premium is retained in a foreign subsidiary where the relevant laws require the recognition of share premium.

The unaudited Condensed Statements of Financial Position should be read in conjunction with the audited financial statements of HCL Group for the financial year ended 31 December 2018 and the accompanying notes attached to this interim financial report.



Interim Report for the 12-months Financial Period Ended 31 December 2019

Unaudited Condensed Statements of Financial Position (Cont'd)

	Unaudited as at 31/12/2019 RM'000	Audited as at 31/12/2018 RM'000
Current liabilities		
Trade payables	26,993	22,829
Other payables and accruals	6,065	2,856
Provision	39	-
Amount owing to related companies	46	929
Amount owing to joint venture	821	-
Derivative liabilities	-	121
Term loans	23,797	2,640
Lease liabilities	329	253
Bills payable	86,433	67,646
Current tax liabilities	2,922	551
Total current liabilities	147,445	97,825
TOTAL LIABILITIES	170,431	112,620
TOTAL EQUITY AND LIABILITIES	355,772	256,983
No. of ordinary shares in issue ('000)	820,652	714,680
Net assets per share attributable to equity holders of the Company (RM)	0.23	0.20

Note 1: The audited Statement of Financial Position of HCL and its subsidiaries and joint venture ("HCL Group") as at 31 December 2018 has been presented as the comparative figures, following the Reverse Acquisition as explained in Part A, Note 1 to the interim financial report.

Note 2: The net asset per share as at 31 December 2019 was calculated based on the newly issued 714,679,564 new ordinary shares in exchange for 4 ordinary shares in HCL, following the Reverse Acquisition as explained in Part A, Note 1 to the interim financial report.

The unaudited Condensed Statements of Financial Position should be read in conjunction with the audited financial statements of HCL Group for the financial year ended 31 December 2018 and the accompanying notes attached to this interim financial report.



Interim Report for the 12-months Financial Period Ended 31 December 2019

Unaudited Condensed Statements of Cash Flows

	12-months ended 31/12/2019 RM'000	12-months ended 31/12/2018 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES		
Profit before taxation	11,182	38,151
Adjustments for:-		
Amortisation of intangible assets	371	306
Depreciation of property, plant and equipment	1,992	1,634
Impairment loss:		
- inventory	330	86
- investment in club membership	-	1
- trade receivables	927	-
- goodwill	23,987	-
Interest expenses	4,322	3,116
Unrealised (gain)/loss on foreign exchange	377	2,136
Gain on disposal of property, plant and equipment	(299)	(32)
Gain on forward currency exchange	-	(1,910)
Interest income	(618)	(138)
Reversal of impairment loss on inventories	(95)	-
Reversal of impairment loss on trade receivables	(242)	-
Share of net profits of equity accounted joint venture	(423)	(299)
Operating profit before working capital changes	41,811	43,051
Changes in working capital:-		
Inventories	11,984	12,706
Receivables	4,577	13,617
Payables	(84)	(7,094)
Related companies	(11,194)	(5,207)
	5,283	14,022
Cash from operations	47,094	57,073
Tax paid	(6,409)	(10,751)
Net cash from operating activities	40,685	46,322

The unaudited Condensed Statements of Cash Flows should be read in conjunction with the audited financial statements of HCL Group for the financial year ended 31 December 2018 and the accompanying notes attached to this interim financial



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Unaudited Condensed Statements of Cash Flows (Cont'd)

	12-months ended 31/12/2019 RM'000	12-months ended 31/12/2018 RM'000
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash and cash equivalents acquired	7,665	-
Advances to related companies	-	(1,000)
Interest received	618	138
Proceeds from disposal of non-current assets held for sale	-	(265)
Proceeds from disposal of property, plant and equipment	301	34
Purchase of intangible assets	(503)	-
Purchase of property, plant and equipment	(4,063)	(522)
Placement of deposits with licensed banks	(1)	-
Net cash from/(for) investing activities	4,017	(1,615)
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES		
Dividend paid	(29,379)	-
Interest paid	(4,322)	(3,116)
Net decrease of bank borrowings	8,377	(34,121)
Net increase/(decrease) of finance lease payables	513	(385)
Repayment from related companies	-	127
Repayment of term loans	(4,335)	(2,640)
Net cash for financing activities	(29,146)	(40,135)
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,556	4,572
EFFECT OF FOREIGN EXCHANGE TRANSLATION	-	162
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	13,879	9,145
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	29,435	13,879
CASH AND CASH EQUIVALENTS COMPRISE		
Deposits with licensed banks	116	42
Cash and bank balances	29,435	13,879
	29,551	13,921
Less: Deposits pledged to licensed banks	(116)	(42)
	29,435	13,879

Note: HCL's Consolidated Statement of Cash Flows has been presented as the comparative figures due to the Reverse Acquisition as explained in Part A, Note 1 to the interim financial report.

The unaudited Condensed Statements of Cash Flows should be read in conjunction with the audited financial statements of HCL Group for the financial year ended 31 December 2018 and the accompanying notes attached to this interim financial



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Unaudited Condensed Statements of Changes in Equity

	<----- Non-distributable ----->			< Distributable >	
	Share Capital RM'000	Revaluation Reserve RM'000	Share Premium RM'000	Retained Profits RM'000	Total RM'000
As at 1/1/2019	#	7,676	84,075	52,612	144,363
Profit after taxation for the financial year	-	-	-	2,423	2,423
Other comprehensive income for the financial year:					
- Foreign currency translation	-	-	-	-	-
Total comprehensive income for the financial year	-	-	-	2,423	2,423
Contributions by and distributions to owners of the Company:					
- Distribution to owners of the Company	-	-	-	(17,904)	(17,904)
- Issue of shares from acquisition	85,838	-	-	-	85,838
- Dividend	-	-	-	(29,379)	(29,379)
Total transactions with owners	85,838	-	-	(47,283)	38,555
Realisation of revaluation surplus	-	(135)	-	135	-
As at 31/12/2019	85,838	7,541	84,075	7,887	185,341

Amount below RM1,000.

The unaudited Condensed Statements of Changes in Equity should be read in conjunction with the audited financial statements of HCL Group for the financial year ended 31 December 2018 and the accompanying notes attached to this interim financial report.



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

	<----- Non-distributable ----->			< Distributable >	
	Share Capital RM'000	Revaluation Reserve RM'000	Share Premium RM'000	Retained Profits RM'000	Total RM'000
As at 1/1/2018	#	5,388	84,075	20,557	110,020
Profit after taxation for the financial year	-	-	-	31,931	31,931
Other comprehensive income for the financial year:					
- Revaluation of property	-	2,412	-	-	2,412
Total comprehensive income for the financial year	-	2,412	-	31,931	34,343
Amortisation of revaluation reserve	-	(124)	-	124	-
As at 31/12/2018	#	7,676	84,075	52,612	144,363

Amount below RM1,000.

Note: HCL's Statement of Changes in Equity has been presented as the comparative figures due to the Reverse Acquisition as explained in Part A, Note 1 to the interim financial report.

The unaudited Condensed Statements of Changes in Equity should be read in conjunction with the audited financial statements of HCL Group for the financial year ended 31 December 2018 and the accompanying notes attached to this interim financial report.



Interim Report for the 12-months Financial Period Ended 31 December 2019

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”).

The audited Consolidated Statements of Financial Position of HCL Group has been presented as the comparative figures due to the Reverse Acquisition as explained below: -

This unaudited interim financial report should be read in conjunction with the annual audited financial statements of the HCL Group for the financial year ended 31 December 2018. The Group prepared its financial statements in accordance with the Malaysian Financial Reporting Standards (“MFRS”).

On 30 April 2019, the Company legally completed the acquisition of the entire equity interest in Hextar Chemicals Limited for an aggregate purchase consideration of RM596,794,275 through issuance and allotment of 714,679,564 new ordinary shares in Hextar Global Berhad (formerly known as Halex Holdings Berhad) at an issue price of RM0.81 per consideration share and RM17,903,828 in cash (“The Acquisition”).

The interim financial report have been prepared in compliance with MFRS 3: Business Combinations. The business combinations between the Company and HCL is treated as a Reverse Acquisition whereby for the accounting purposes, the accounting acquirer is HCL while the accounting acquiree is the Company.

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)	Effective Date
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

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/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.



Interim Report for the 12-months Financial Period Ended 31 December 2019

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 2018 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 for the current quarter under review and financial period to-date.

6. Material Changes in Estimates

There were no material changes in estimates of amount reported that have a material effect on 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

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

During the quarter under review, the Company proposed a second interim single-tier dividend of 0.8 sen per ordinary share amounting to approximately RM6.52 million in respect of the financial year ended 31 December 2019. The entitlement date and payment date have been fixed on 10 March 2020 and 26 March 2020 respectively.

On 18 December 2019, the Company paid the first interim single-tier dividend of 3.58 sen per ordinary share amounting to approximately RM29.38 million in respect of the financial year ending 31 December 2019.

The total dividend declared to date for the current financial year of 4.38 sen per ordinary share, amounted to approximately RM35.90 million.



Interim Report for the 12-months Financial Period Ended 31 December 2019

9. Segmental Reporting

12-months ended 31 December 2019						
	Investment Holding RM'000	Agriculture RM'000	Consumer Products RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External	-	318,559	18,709	10	-	337,278
Inter-segment	122,514	3,654	7,640	-	(133,808)	-
Total	122,514	322,213	26,349	10	(133,808)	337,278
Results						
Segment results	118,503	46,029	(1,396)	(1)	(148,323)	14,812
Finance costs	(1,065)	(3,153)	(104)	-	-	(4,322)
Finance income	-	252	17	-	-	269
Share of result of joint venture	-	423	-	-	-	423
Profit/(Loss) before taxation	117,438	43,551	(1,483)	(1)	(148,323)	11,182
Taxation	(17)	(8,876)	13	(33)	154	(8,759)
Profit/(Loss) after taxation	117,421	34,675	(1,470)	(34)	(148,169)	2,423
12-months ended 31 December 2018						
	Investment Holding RM'000	Agriculture RM'000	Eliminations RM'000	Consolidated RM'000		
Revenue						
External	-	273,993	-	273,993		
Inter-segment	15,000	2,250	(17,250)	-		
Total	15,000	276,243	(17,250)	273,993		
Results						
Segment results	15,000	41,187	(15,357)	40,830		
Finance costs	-	(3,116)	-	(3,116)		
Finance income	-	138	-	138		
Share of result of joint venture	-	299	-	299		
Profit/(Loss) before taxation	15,000	38,508	(15,357)	38,151		
Taxation	-	(6,306)	86	(6,220)		
Profit/(Loss) after taxation	15,000	32,202	(15,271)	31,931		



Interim Report for the 12-months Financial Period Ended 31 December 2019

10. Valuation of Property, Plant and Equipment

The values of property, plant and equipment have been brought forward without amendments from the HCL's previous annual audited financial statements for the financial year ended 31 December 2018.

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 30 April 2019, the Company completed the acquisition of the entire equity interest in Hextar Chemicals Limited for an aggregate purchase consideration of RM596,794,275 through issuance and allotment of 714,679,564 new ordinary shares in Hextar Global Berhad (formerly known as Halex Holdings Berhad) at an issue price of RM0.81 per consideration share and RM17,903,828 in cash ("The Acquisition").

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

- (i) Fair Value of Purchase Consideration

	Group and Company
	As at
	30/4/2019
	RM'000
Cash	17,904
Ordinary shares issued at RM0.81 per share	578,890
Total purchase consideration	<u>596,794</u>

- (ii) Identifiable Assets Acquired and Liabilities Assumed

	Group
	As at
	30/4/2019
	RM'000
Property, plant and equipment	60,649
Investment properties	5,249
Other investments	26
Inventories	18,429
Trade receivables	14,486
Other receivables	19,848
Tax recoverable	886
Cash and cash equivalents	7,737
Trade payables	(5,077)
Other payables	(2,592)
Provision	(150)
Deferred tax liabilities	(3,196)
Amount owing to related companies	(13,496)
Term loans	(30,371)
Finance lease payable	(168)
Bills payables	(10,409)
Fair value of net identifiable assets acquired and liabilities assumed	<u>61,851</u>



Interim Report for the 12-months Financial Period Ended 31 December 2019

11. Changes in the Composition of the Group (Cont'd)

(iii) Provisional goodwill Arising from Acquisition

	Group As at 30/4/2019 RM'000
Deemed cost of combination	85,838
Less: Fair value of identifiable net assets acquired (item (ii) above)	<u>(61,851)</u>
Provisional goodwill from the acquisition of subsidiary	<u>23,987</u>

12. Contingent Liabilities

The contingent liabilities are as follows:

	Company As at 31/12/2019 RM'000
Guarantees given to financial institutions for facilities granted to subsidiaries	<u>94,740</u>

13. Capital Commitments

There were no material capital commitments entered into and not provided for by the Group during the current quarter under review.

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.



Interim Report for the 12-months Financial Period Ended 31 December 2019

15. Related Party Transactions

The following table provides information on the transactions which have been entered into with related parties during the 12-months ended 31 December 2019.

	Note	Transaction Value	
		1/1/2019 - 30/4/2019 RM'000 @	1/5/2019 - 31/12/2019 RM'000
Sales of raw materials/finished goods:-			
PT Dharma Guna Wibawa	#	n/a	20,124
PT Delta Giri Wacana	#	n/a	21,840
Vitallium Sdn. Bhd.	#	n/a	8,076
Hextar Fert Sdn. Bhd.	#	n/a	5
Hextar Oil & Gas Sdn. Bhd.	#	n/a	3,135
Binapuri Sakti Sdn. Bhd.	#	n/a	410
Hextar KCS Sdn. Bhd.	#	n/a	30
Sales of R&D services:-			
Vitallium Sdn. Bhd.	#	n/a	661
Purchase of raw materials/finished goods:-			
Multifert Sdn. Bhd.	#	n/a	9
Hextar Industrial Chemicals Sdn. Bhd.	#	n/a	141
Purchase of management services:-			
Hextar Asset Management Sdn. Bhd.	#	n/a	1,560

The directors and/or major shareholders of Hextar Global Berhad (formerly known as Halex Holdings Berhad) are either the directors and/or major shareholders of the Company or the persons connected with the Company by virtue of Section 197 of Companies Act 2016.

The outstanding balances arising from related party transactions as at 31 December 2019 were as follows:-

	Outstanding balance 31/12/2019 RM'000
Total outstanding balances due from/(to) related parties included in:-	
Trade Receivables	53,657
Trade Payables	(46)

@ Not comparable as the Acquisition has not taken place.



Interim Report for the 12-months Financial Period Ended 31 December 2019

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

1. Review of Performance of the Group

For the purpose of review of performance, the current cumulative financial quarter covers from 1 January 2019 to 31 December 2019 for HCL and from 1 May 2019 to 31 December 2019 for HGB. Correspondingly, the comparative figures for the individual quarter and cumulative quarter refer the financial figures of HCL due to the Reverse Acquisition as explained in Part A, Note 1.

For the current quarter, the Group registered a total revenue of RM82.77 million, representing an increase of RM17.30 million or 26.4% as compared to the corresponding quarter of the preceding year. The increase was mainly due to the increase in revenue from the enlarged Agriculture segment and the incorporation of revenue from the Consumer Products segment, following the Acquisition as per Part A, Note 1.

On the year-to-date basis, the Group registered a total revenue of RM337.28 million, an increase of RM63.29 million or 23.1% as compared to the corresponding preceding financial year. The increase was mainly due to the increase in revenue from the enlarged group following the Acquisition.

For the current quarter, the Group recorded a profit before taxation of RM10.68 million against RM9.52 million in the corresponding quarter of the preceding year, increased by RM1.16 million or 12.2%. The was mainly contributed by the positive results from the enlarged Group following the Acquisition.

For the current financial year ended 31 December 2019, the Group recorded a profit before taxation of RM11.18 million against RM38.15 million in the corresponding preceding financial year. The Group had incorporated a one-off impairment of goodwill on business combination amounted to RM23.99 million for the current financial year ended 31 December 2019, the impairment arose from the application of Reverse Acquisition accounting method in accordance with MFRS3 as per Part A, Note 1. Had the Group excluded the one-off impairment of goodwill, the Group would have recorded an operating profit before taxation of RM35.17 million for the current financial year ended 31 December 2019.

2. Comparisons with the Immediate Preceding Quarter's Results

	(3-months) Current Quarter ended 31/12/2019 (RM'000)	(3-months) Preceding Quarter ended 30/9/2019 (RM'000)
Revenue	82,765	97,179
Profit before taxation	10,678	11,300

For the current quarter ended 31 December 2019, the Group registered revenue of RM82.77 million, representing a decrease of RM14.41 million or 14.8% as compared to the immediate preceding quarter. The decrease was mainly due to a lower sales recorded from both Agriculture and Consumer Products segments.

During the current quarter, the Group recorded a profit before taxation of RM10.68 million against RM11.30 million in the immediate preceding quarter, representing a decrease of RM0.62 million or 5.5% as compared to the immediate preceding quarter. The decrease was mainly due to impairment losses provided for receivables of RM0.87 million and inventories of RM0.33 million. However, the profit before taxation margin improved from 11.6% in the immediate preceding quarter to 12.9% for the quarter under review, representing an increase of 1.3% as resulted from the Group continuous effort in cost rationalisation and improved operational efficiency.



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3. Year 2020 Prospects

The Group is of the view that year 2020 would be a better year as there was a sign of recovery of crude oil prices in the beginning of the year.

Agriculture segment

The Acquisition of which the announcement of completion was made on 30 April 2019 witnessed a tremendous corporate milestone for the Company to solidify its position as a leading and biggest producer of agrochemicals in Malaysia.

The Group foresees this prominent business combination has the ability to enhance the competitiveness of our agrochemical business by increasing product range and extending distribution network especially the presence in the new markets.

The Group has core competencies in the agrochemical industry supported by its strength in research and development and commercialization and marketing of over 500 product registrations. The Group's product brand name "Hextar" is a long-established brand name in the agrochemical market for more than 30 years with a wide distribution network of over 30 countries. In addition to that, the agrochemical industry has high barriers to entry, therefore, the Group enjoys the resilience for its business sustainability.

During the quarter under review, Hextar Chemicals Sdn. Bhd., a wholly-owned subsidiary of the Company had signed a distributor agreement with Sumitomo Chemical Vietnam Co., Ltd. for distribution its product in Vietnam. This paves way for the Group to have more market presence in Indochina which is predominantly active in its agriculture industry. In addition, Hextar Chemicals Sdn. Bhd. had accepted a tender awarded by Sime Darby Plantation Berhad for supply of agrochemicals in Malaysia, Papua New Guinea and Solomon Islands.

Consumer Products segment

The Group had on 21 October 2019, entered into a conditional Sale and Purchase Agreement to dispose a property that has been left vacant following the consolidation of operations into a single location, and subsequently on 24 February 2020, obtained the approval from the shareholders for the disposal of the said property.

The disposal is in line with the internal re-organisation to consolidate two production operation locations into a single operation location. Following the consolidation of operations and the Group's continuous effort in cost rationalisation and improved operational efficiency, the segment's loss after taxation reduced from RM7.78 million in the preceding financial year to RM1.47 million for the current financial year. The Group is very positive for this segment to improve further moving forward and will continuously monitor the financial performance for this business segment.

The Group remains focused on the operational efficiency, profitability and business sustainability. The Board is of the view the Group is poised to deliver a satisfactory financial performance for the financial year.

4. Financial Forecast and Profit Guarantee

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



Interim Report for the 12-months Financial Period Ended 31 December 2019

5. Taxation

The taxation figures are as follows:

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2019 RM'000	Preceding Year Quarter 31/12/2018 RM'000	Current Period to-Date 31/12/2019 RM'000	Preceding Period to-Date 31/12/2018 RM'000
Deferred tax	325	439	352	(226)
Income tax	(3,234)	(1,455)	(9,111)	(5,994)
	<u>(2,909)</u>	<u>(1,016)</u>	<u>(8,759)</u>	<u>(6,220)</u>

The effective tax rate for the current quarter under review for the Group is higher than the statutory rate of taxation is mainly due to losses recorded in certain subsidiary companies which unable to set off against taxable profits made by other profitable subsidiary companies.

6. Status of Corporate Proposal

The Company had on 1 April 2019, obtained the approval from the shareholders for the Acquisition, and subsequently on 30 April 2019, announced the completion of the Acquisition upon the listing and quotation and placement of 714,679,564 new ordinary shares in the Company arising from the Acquisition.

7. Borrowings

The Group's borrowings as at 31 December 2019 and 31 December 2018 are as follows:

	As at 31/12/2019 RM'000	As at 31/12/2018 RM'000
Short-term borrowings		
<u>Secured</u>		
Term loans	23,797	2,640
<u>Unsecured</u>		
Lease liabilities	329	253
Bills payable	86,433	67,646
	<u>110,559</u>	<u>70,539</u>
Long-term borrowings		
<u>Secured</u>		
Term loans	12,719	7,840
<u>Unsecured</u>		
Lease liabilities	734	129
	<u>13,453</u>	<u>7,969</u>
Total	<u>124,012</u>	<u>78,508</u>



Interim Report for the 12-months Financial Period Ended 31 December 2019

8. Material Litigation

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

9. Earnings Per Share

a. Basic

The basic earnings per share is 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 Year Quarter 31/12/2019	Preceding Year Quarter 31/12/2018	Current Period to-Date 31/12/2019	Preceding Period to-Date 31/12/2018
Profit attributable to equity holders of the Company (RM'000)	<u>7,769</u>	<u>8,499</u>	<u>2,423</u>	<u>31,931</u>
Weighted average number of ordinary shares in issue ('000)	<u>820,652</u>	<u>714,680*</u>	<u>820,652</u>	<u>714,680*</u>
Basic earnings per share (sen)	<u>0.95</u>	<u>1.19</u>	<u>0.30</u>	<u>4.47</u>

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.

* The weighted average number of ordinary shares in issue for the comparative quarter and financial period was calculated on the assumption based on the newly issued 714,679,564 ordinary shares in exchange for 4 ordinary shares in HCL Group following the Reverse Acquisition as explained in Part A, Note 1 to the interim financial report.



Interim Report for the 12-months Financial Period Ended 31 December 2019

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

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2019 RM'000	Preceding Year Quarter 31/12/2018 RM'000	Current Period to-Date 31/12/2019 RM'000	Preceding Period to-Date 31/12/2018 RM'000
Amortisation of intangible assets	104	121	371	306
Depreciation of property, plant and equipment	349	393	1,992	1,634
Impairment loss:				
- inventory	330	86	330	86
- investment in club membership	-	1	-	1
- trade receivables	871	-	927	-
- goodwill	-	-	23,987	-
Interest expenses	998	720	4,322	3,116
Unrealised loss/(gain) on foreign exchange	705	(1,922)	377	2,136
Gain on disposal of equipment	(159)	(32)	(299)	(32)
(Loss)/Gain on forward currency exchange	-	638	-	(1,910)
Interest income	(448)	(109)	(618)	(138)
Reversal of impairment loss on inventories	(95)	-	(95)	-
Reversal of impairment loss on trade receivables	-	-	(242)	-
Share of net profits of equity accounted joint venture	(123)	(42)	(423)	(299)

By Order of the Board
 HEXTAR GLOBAL BERHAD
 199001014551 (206220 – U)
 (Formerly known as Halex Holdings Berhad)

Lim Hooi Mooi
 Company Secretary
 Kuala Lumpur
 25 February 2020