



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 2019

A NOTES TO THE INTERIM FINANCIAL REPORT

A1. Accounting policies and method of computation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS 134”) and the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

The quarterly financial statements under review have been prepared based on the same accounting policies and methods of computation adopted in the most recent Audited Financial Statements for the year ended 30 June 2018 except for the newly-issued Malaysian Financial Reporting Standards (“MFRS”), Amendments to MFRS and IC Interpretations (“IC Int.”) that are applicable to the Group for financial period beginning 1 July 2018:

News MFRSs:

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

Amendments/Improvements to the following MFRSs:

MFRS 1	First-time Adoption of MFRSs
MFRS 2	Share-based payment
MFRS 140	Investment Property

The adoption of the above did not have any material impact on this report upon their initial application except for MFRS 9 whereby the Group and the Company have elected to designate investment portfolio to be measured at Fair Value through Other



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 2019

Comprehensive Income (FVTOCI). For investment portfolio designated as at FVTOCI, all fair value gains and losses including foreign exchange movement will be reported in other comprehensive income. No impairment losses will be recognised in profit or loss and no gains or losses will be reclassified to profit or loss on disposal of these investments.

A2. Audit report

The audit report for the financial year ended 30 June 2018 was not subject to any qualification.

A3. Seasonal or cyclical factors

The business operations of the Group were not significantly affected by any seasonal or cyclical factors.

A4. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence

There are no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence for the current financial year except for RM10.4 million fair value loss in equity instruments designated as at FVTOCI.

A5. Changes in estimates of amounts reported

There were no changes in the estimates of amounts reported previously that have a material effect in the current financial quarter.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 2019

A6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial year to date.

A7. Dividend paid

No dividend was paid during the quarter under review. The proposed final single-tier dividend of 5.0 sen per share by the Board of Directors in respect of the financial year ended 30 June 2018 was approved by the shareholders at the 49th Annual General Meeting on 24 November 2018. The dividend amounting to RM10.019 million was paid on 18 December 2018.

A8. Segment revenue and segment result

Information on business segments for the financial year ended 30 June 2019 is as follows:

	Resins RM'000	Ethanol RM'000	Investment RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE							
External sales	76,076	26,297	2,547	732	603	-	106,255
Inter-segment sales	-	633	6,323	-	-	(6,956)	-
Total revenue	76,076	20,930	8,870	732	603	(6,956)	106,255
RESULT							
Operating profit/(loss)	5,190	4,294	7,190	(70)	41	(6,103)	10,542
Interest expense							(17)
Interest income							409
Taxation							(2,352)
Profit after tax							8,582



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 2019

A9. Material subsequent event

There are no material events subsequent to the end of the year reported on to the date of this report which have not been reflected in the financial statements for the quarter ended 30 June 2019.

A10. Change in composition of the Group

There are no changes in the composition of the Group for the current financial year to date including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

A11. Contingent liabilities or contingent assets

There is no change in contingent liabilities or contingent assets since the last annual statement of financial position to the date of this report.

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of performance

(a) 4th Quarter of FY 2019 compared with 4th Quarter of FY 2018

The Group's performance for the current quarter compared to the corresponding quarter last year is as follows:



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 2019

	Quarter ended		Variance	
	30/06/2019	30/06/2018	RM'000	%
Revenue				
- Resin	18,442	19,324	(882)	(4.6)
- Ethanol	6,444	6,188	256	4.1
- Investment	708	287	421	146.7
- Trading	181	211	(30)	(14.2)
- Others	67	99	(32)	(32.3)
	25,842	26,109	(267)	

	Quarter ended		Variance	
	30/06/2019	30/06/2018	RM'000	%
Profit/(Loss) before tax				
- Resin	2,491	510	1,981	388.4
- Ethanol	1,295	1,394	(99)	(7.1)
- Investment	465	4,355	(3,890)	(89.3)
- Trading	13	(27)	40	not applicable
- Others	(39)	(17)	(22)	not applicable
	4,225	6,215	(1,990)	

The Group recorded a 1.0% decrease in turnover to RM25.84 million from RM26.11 million in the corresponding quarter last year. Profit before tax for the quarter under review decreased 32.0% to RM4.23 million from RM6.22 million in the corresponding quarter last year.

The performance of the operating business segments is as follows:

Resins segment

Turnover for the quarter decreased 4.6% to RM18.44 million from RM19.32 million in the corresponding quarter last year mainly due to decrease in average selling price and lower sales volume.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 2019

Profit before tax for resins segment increased RM1.98 million to RM2.49 million from RM0.51 million mainly due to recovery from previous compression in margins.

Ethanol segment

Turnover for the quarter increased 4.1% to RM6.44 million from RM6.19 million in the corresponding quarter last year mainly due to increase in average selling price.

Profit before tax for ethanol segment decreased by RM0.10 million to RM1.29 million from RM1.39 million mainly due to higher production costs.

Investment segment

Our investment segment only recorded dividend income for the quarter under review as any gain or loss on disposal and foreign exchange movement for our investment portfolio is no longer reported in the profit or loss statement as the Group and the Company have elected to designate investment portfolio to be measured at Fair Value through Other Comprehensive Income (FVTOCI) from FY2019 onwards. Profit before tax of RM0.46 million was recorded this quarter as compared to RM4.36 million in the corresponding quarter last year mainly due to reversal of unrealised loss on foreign exchange of RM4.32 million related to our investment portfolio was recorded in the corresponding quarter last year.

(b) Current year-to-date compared with year-to-date of FY2018

The Group's performance for the current financial year compared to last financial year is as follows:



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 2019

	12 months ended		Variance	
	30/06/2019	30/06/2018	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue				
- Resin	76,076	73,175	2,901	4.0
- Ethanol	26,297	23,705	2,592	10.9
- Investment	2,547	2,572	(25)	(1.0)
- Trading	732	211	521	246.9
- Others	603	481	122	25.4
	106,255	100,144	6,111	

	12 months ended		Variance	
	30/06/2019	30/06/2018	RM'000	%
	RM'000	RM'000	RM'000	%
Profit/(Loss) before tax				
- Resin	5,174	6,058	(884)	(14.6)
- Ethanol	4,666	4,890	(224)	(4.6)
- Investment				
- investment in securities	983	948	35	3.7
- Trading	69	(128)	197	not applicable
- Others	42	-	42	not applicable
	10,934	11,768	(834)	
- Investment				
- investment in finance lease	-	(28,536)	28,536	not applicable
	10,934	(16,768)	27,702	

The Group recorded a 6.1% increase in turnover to RM106.26 million from RM100.14 million in the last financial year. A profit before tax of RM10.93 million was recorded for the year under review versus a loss before tax of RM16.77 million in the last financial year.

The performance of the operating business segments is as follows:



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 2019

Resins segment

Turnover for the current financial year increased 4.0% to RM76.08 million from RM73.18 million in the last financial year mainly due to increase in average selling price.

Profit before tax for resins segment decreased 14.6% to RM5.17 million from RM6.06 million mainly due to margin compression.

Ethanol segment

Turnover for the current financial year increased 10.9% to RM26.30 million from RM23.71 million in the last financial year mainly due to increase in sales volume.

Profit before tax for ethanol segment decreased 4.6% to RM4.67 million from RM4.89 million despite the increase in sales volume mainly due to higher production costs.

Investment segment

Our investment segment only recorded dividend income for the current financial year under review as any gain or loss on disposal and foreign exchange movement for our investment portfolio is no longer reported in the profit or loss statement as the Group and the Company have elected to designate investment portfolio to be measured at Fair Value through Other Comprehensive Income (FVTOCI) from FY2019 onwards.

Our investment segment included the full provision for impairment loss of finance lease receivable amounting to RM28.54 million in the last financial year.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 2019

B2. Comparison of results for the 4th Quarter of FY 2019 against immediate preceding 3rd Quarter of FY 2019

The Group's performance for the current quarter compared to the immediate preceding quarter is as follows:

	Quarter ended		Variance	
	30/06/2019	31/03/2019	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue				
- Resin	18,442	17,662	780	4.4
- Ethanol	6,444	6,591	(147)	(2.2)
- Investment	708	235	473	201.3
- Trading	181	84	97	115.5
- Others	67	233	(166)	(71.2)
	<u>25,842</u>	<u>24,805</u>	<u>1,037</u>	

	Quarter ended		Variance	
	30/06/2019	31/03/2019	RM'000	%
	RM'000	RM'000	RM'000	%
Profit/(Loss) before tax				
- Resin	2,491	1,146	1,345	117.4
- Ethanol	1,295	1,226	69	5.6
- Investment	465	(266)	731	not applicable
- Trading	13	6	7	116.7
- Others	(39)	38	(77)	(202.6)
	<u>4,225</u>	<u>2,150</u>	<u>2,075</u>	

Turnover for the quarter under review increased 4.2% to RM25.84 million from RM24.80 million in the immediate preceding quarter.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 2019

Profit before tax for the quarter under review increased 96.5% to RM4.23 million from RM2.15 million in the immediate preceding quarter. Our ethanol segment recorded a 5.6% increase in profit before tax mainly due to lower production costs. Our resins segment recorded a 117.4% increase in profit before tax mainly due to a recovery from previous compression in margins.

B3. Prospects

For FY2020, the Board of Directors expects the combined profit before tax of the Group's resins and ethanol segments to be slightly lower than the previous year mainly due to the headwinds faced by the resins industry in Sarawak.

With the current uncertainties in the world economy and the on-going trade war between the United States and China, the Group is susceptible to the volatile share market as the Group is invested in domestic and foreign quoted shares.

B4. Comparison with profit forecast

This note is not applicable.

B5. Income tax

Taxation comprises:

	3 months ended		12 months ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
Estimated current Malaysian taxation	968	555	2,939	2,993
Deferred taxation	(84)	(85)	(489)	(452)
	884	470	2,450	2,541
(Over)/Under provision in prior years				
- income tax	4	(148)	(78)	(148)
- deferred tax	(20)	-	(20)	8
	868	322	2,352	2,401



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 2019

The effective tax rate of the Group for the current financial year to date is lower than the statutory rate of tax applicable mainly due to non-taxable income.

B6. Profit/(Loss) before taxation

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

	3 months ended		12 months ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	617	791	2,930	3,185
Allowance for doubtful debts	-	740	-	740
Reclassification of previously recognized fair value changes of availables-for-sale investments	-	-	-	(21)
Loss on disposal of available-for-sale investments	-	1	-	1,299
Gain on disposal of property, plant and equipment	(1)	(9)	(1)	(9)
Property, plant and equipment written off	4	11	16	16
Inventories written off	-	25	-	25
Available-for-sale investment written off	-	47	-	47
Interest expense	3	6	17	19
Interest income	(336)	(81)	(409)	(162)
Impairment loss of finance lease receivable	-	-	-	28,536
Net (gain) arising from financial assets designated as FVTPL	212	(170)	(82)	(1,261)
Net unrealized loss/(gain) on foreign exchange	(6)	(4,322)	(75)	(2)

Other than the above items, there were no provision for and write off of receivables, provision for and write off of inventory, gain or loss on disposal of unquoted investment or properties, impairment of assets, gain or loss on derivatives and exceptional items for the current quarter or financial year-to-date.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 2019

B7. Status of corporate proposals

There are no corporate proposals announced as at the date of this report.

B8. Group borrowings and debt securities

There were no group borrowing and debt securities as at the end of the current quarter.

B9. Changes in material litigation

Save for the following, there were no material changes in litigation since the end of the last reporting period:

In the High Court of the Republic of Singapore between Hexza Corporation Berhad (the Company) and Tembusu Industries Pte Ltd (Tembusu) and Tin Maung Kyin (Pete Tin)

Reference is made to the court litigation brought by the Company against Tembusu and Pete Tin in the High Court of the Republic of Singapore (the "Court") as announced previously. The hearing of the Company's summary judgment application was held on 29 October 2018. The Court has ordered summary judgment in favour of the Company. The Company is working on enforcing the Court Order.

B10. Dividend

- (a) A final dividend of 5.0 sen per share in respect of the financial year ended 30 June 2019 has been recommended by the Directors which is subject to the approval of the shareholders at the forthcoming Annual General Meeting.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 2019

- (b) The final dividend paid for the last financial year ended 30 June 2018 was 5.0 sen per share.
- (c) The date of payment of the recommended final dividend shall be determined by the Directors and announced at a later date.

B11. Earnings per share

The basic and diluted earnings/(loss) per share are calculated as follows:

	3 months ended		12 months ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
Net profit/(loss) attributable to Owners of the Company(RM'000)	2,968	5,832	7,794	(19,962)
Weighted average number of ordinary shares	200,380,036	200,380,036	200,380,036	200,380,036
Basic/Diluted earning/(loss) per share(sen)	1.5	2.9	3.9	(10.0)

B12. Disclosure of realised and unrealised profits

	As at 30/06/2019 RM'000	As at 30/06/2018 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	96,028	103,380
- Unrealised	2,786	2,414
Total group retained profits as per consolidated accounts	98,814	105,794

The disclosure of realised and unrealised profits is made solely for complying with the disclosure requirements as stipulated in the directives of Bursa Malaysia Securities Berhad and is not made for any other purposes.

B13. Authorisation for Issue



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 2019

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 August 2019.