



HEXZA CORPORATION BERHAD 196901000339 (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30 September 2020

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 2020 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 2020:

MFRS 17 Insurance Contracts

Amendments to the following MRFSSs:

MFRS 3	Definition of Business
MFRS 3	Reference to the Conceptual Framework
MFRS 16	Covid-19 Related Rent Concessions
MFRS 9,139 and 7	Interest Rate Benchmark Reform
MFRS 9,139,7,4 and 16	Interest Rate Benchmark Reform-Phase 2
MFRS 101 and 108	Definition of Material
MFRS 101	Classification of Liabilities as Current or Non-Current
MFRS 10 and 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
MFRS 116	Property, Plant and Equipment-Proceeds before Intended Use



HEXZA CORPORATION BERHAD 196901000339 (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30 September 2020

MFRS 137 Onerous Contracts – Cost of Fulfilling a
Contract
Annual improvements to MRFs Standards 2018 - 2020

A2. Audit report

The audit report for the financial year ended 30 June 2020 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 quarter except for RM18.12 million fair value gain 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 196901000339 (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30 September 2020

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 period to date.

A7. Dividend paid

No dividend was paid during the quarter under review. The proposed final dividend of 5.0 sen per share and a special dividend of 2.5 sen per share by the Board of Directors in respect of the financial year ended 30 June 2020 will be paid on 18 December 2020, subject to the approval by the shareholders at the forthcoming Annual General Meeting to be held on 01 December 2020.

A8. Segment revenue and segment result

Information on business segments for the financial period ended 30 September 2020 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	9,013	9,895	162	338	271	-	19,679
Inter-segment sales	-	240	-	-	-	(240)	-
Total revenue	9,013	10,135	162	338	271	(240)	19,679
RESULT							
Operating profit/(loss)	765	3,420	(41)	57	93	-	4,294
Interest expense							(2)
Interest income							478
Taxation							(1,035)
Profit after tax							3,735



HEXZA CORPORATION BERHAD 196901000339 (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30 September 2020

A9. Material subsequent event

There are no material events subsequent to the end of period reported on to the date of this report which have not been reflected in the financial statements for the quarter ended 30 September 2020.

A10. Change in composition of the Group

There are no changes in the composition of the Group for the current financial period 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

1st Quarter of FY 2021 compared with 1st Quarter of FY 2020

Due to the economic impact from Covid-19, our resin segment continues to face challenges stemming from increasing government restrictions on the logging industry in Sarawak and weaker demand for resins from our customers. In the ethanol business, demand from local sanitizer manufacturers has slowed due primarily to an increase in imported sanitizer products. However, sales from our other industrial and potable customers



HEXZA CORPORATION BERHAD 196901000339 (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30 September 2020

have not been impacted, resulting in an overall sales increase of 20% compared to the corresponding quarter last year.

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

	Quarter ended		Variance	
	30/9/2020	30/9/2019	RM'000	%
Revenue				
- Resin	9,013	15,237	(6,224)	(40.8)
- Ethanol	9,895	8,258	1,637	19.8
- Investment	162	298	(136)	(45.6)
- Trading	338	213	125	58.7
- Others	271	163	108	66.3
	<u>19,679</u>	<u>24,169</u>	<u>(4,490)</u>	

	Quarter ended		Variance	
	30/9/2020	30/9/2019	RM'000	%
Profit before tax				
- Resin	767	1,474	(707)	(48.0)
- Ethanol	3,488	1,619	1,869	115.4
- Investment	343	228	115	50.4
- Trading	79	38	41	107.9
- Others	93	31	62	200.0
	<u>4,770</u>	<u>3,390</u>	<u>1,380</u>	

The Group recorded a 18.6% decrease in turnover to RM19.68 million from RM24.17 million in the corresponding quarter last year. Profit before tax for the quarter under review increased 40.7% to RM4.77 million from RM3.39 million in the corresponding quarter last year.

The performance of the operating business segments is as follows:



HEXZA CORPORATION BERHAD 196901000339 (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30 September 2020

Resins segment

Turnover for the quarter decreased 40.8% to RM9.01 million from RM15.24 million in the corresponding quarter last year mainly due to decrease in average selling price and lower sales volume.

Profit before tax for resins segment decreased 48.0% to RM0.77 million from RM1.47 million mainly due to lower sales volume by 32.7% despite higher gross contribution.

Ethanol segment

Turnover for the quarter increased 19.8% to RM9.90 million from RM8.26 million in the corresponding quarter last year mainly due to increase in average selling price.

Profit before tax for ethanol segment increased by RM1.87 million to RM3.49 million from RM1.62 million mainly due to higher sales turnover.

Investment segment

Profit before tax increased RM0.11 million to RM0.34 million from RM0.23 million mainly due to higher interest income from other investments.

B2. Comparison of results for the 1st Quarter of FY 2021 against immediate preceding 4th Quarter of FY 2020

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



HEXZA CORPORATION BERHAD 196901000339 (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30 September 2020

	Quarter ended		Variance	
	30/9/2020	30/6/2020	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue				
- Resin	9,013	10,854	(1,841)	(17.0)
- Ethanol	9,895	9,845	50	0.5
- Investment	162	621	(459)	(73.9)
- Trading	338	197	141	71.6
- Others	271	142	129	90.8
	<u>19,679</u>	<u>21,659</u>	<u>(1,980)</u>	

	Quarter ended		Variance	
	30/9/2020	30/6/2020	RM'000	%
	RM'000	RM'000	RM'000	%
Profit before tax				
- Resin	767	808	(41)	(5.1)
- Ethanol	3,488	3,482	6	0.2
- Investment	343	830	(487)	(58.7)
- Trading	79	36	43	119.4
- Others	93	15	78	520.0
	<u>4,770</u>	<u>5,171</u>	<u>(401)</u>	

Turnover for the quarter under review decreased 9.1% to RM19.68 million from RM21.66 million in the immediate preceding quarter.

Profit before tax for the quarter under review decreased 7.7% to RM4.77 million from RM5.17 million in the immediate preceding quarter mainly due to lower dividend income from quoted shares.



HEXZA CORPORATION BERHAD 196901000339 (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30 September 2020

B3. Prospects

The Covid-19 pandemic continues to pose challenges to our resins segment due to the twin challenges of tighter restrictions on the logging industry and weaker economic conditions impacting business growth in many countries. The ethanol segment should continue to experience good sales and profit, although the elevated levels seen earlier in the year due to Covid-19 are unlikely to be repeated. However, the Board of Directors expects the Group to continue to be profitable.

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

B4. Comparison with profit forecast

This note is not applicable.

B5. Income tax

Taxation comprises:

	Quarter		Year to date	
	3 months ended		3 months ended	
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
	RM'000	RM'000	RM'000	RM'000
Estimated current Malaysian taxation	1,122	857	1,122	857
Deferred taxation	(87)	(86)	(87)	(86)
	<u>1,035</u>	<u>771</u>	<u>1,035</u>	<u>771</u>

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



HEXZA CORPORATION BERHAD 196901000339 (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30 September 2020

B6. Profit before taxation

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

	Quarter		Year to date	
	3 months ended	3 months ended	3 months ended	3 months ended
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	603	602	603	602
Interest expense	2	14	2	14
Interest income	(478)	(41)	(478)	(41)
Net (gain) arising from financial assets designated as at FVTPL	(12)	-	(12)	-
Net unrealised loss/(gain) on foreign exchange	6	(136)	6	(136)

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.

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

The Group is not subject to any material litigation. There is no change to this position since the end of the reporting date up to the date of this report.



HEXZA CORPORATION BERHAD 196901000339 (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30 September 2020

B10. Dividend

No interim dividend was declared for the current quarter under review.

B11. Earnings per share

The basic and diluted earnings per share are calculated as follows:

	Quarter		Year to date	
	3 months ended		3 months ended	
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
Net profit attributable to Owners of the Company(RM'000)	3,620	2,397	3,620	2,397
Weighted average number of ordinary shares	200,380,036	200,380,036	200,380,036	200,380,036
Basic/Diluted earning per share(sen)	1.8	1.2	1.8	1.2

B12. Disclosure of realised and unrealised profits

	As at 30/09/2020 RM'000	As at 30/06/2020 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	116,477	112,943
- Unrealised	2,973	2,887
Total group retained profits as per consolidated accounts	119,450	115,830

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.



HEXZA CORPORATION BERHAD 196901000339 (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30 September 2020

B13. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 November 2020.