



HEXZA CORPORATION BERHAD 196901000339 (8705-K)

Interim Report on Consolidated Results for the Third Quarter ended 31 March 2021

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 new 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

Annual improvements to MFRS Standards 2018 - 2020

Amendments to the following MFRSs:

MFRS 3	Reference to the Conceptual Framework
MFRS 16	Covid-19 Related Rent Concessions
MFRS 9,139,7,4 and 16	Interest Rate Benchmark Reform-Phase 2
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
MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract



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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 period except for RM23.31 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.

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.



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A7. Dividend paid

No dividend was paid during the quarter under review.

A8. Segment revenue and segment result

Information on business segments for the financial period ended 31 March 2021 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	26,461	27,610	900	853	654	-	56,478
Inter-segment sales	-	617	5,535	-	-	(6,152)	-
Total revenue	26,461	28,227	6,435	853	654	(6,152)	56,478
RESULT							
Operating profit/(loss)	391	8,885	5,769	107	249	(5,535)	9,866
Interest expense							(2)
Interest income							1,284
Taxation							(2,406)
Profit after tax							8,742

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 31 March 2021.

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.



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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) 3rd Quarter of FY 2021 compared with 3rd Quarter of FY 2020

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

	Quarter ended		Variance	
	31/3/2021	31/3/2020	RM'000	%
Revenue				
- Resin	8,686	11,375	(2,689)	(23.6)
- Ethanol	8,539	13,357	(4,818)	(36.1)
- Investment	304	153	151	98.7
- Trading	230	212	18	8.5
- Others	118	98	20	20.4
	<u>17,877</u>	<u>25,195</u>	<u>(7,318)</u>	

	Quarter ended		Variance	
	31/3/2021	31/3/2020	RM'000	%
Profit before tax				
- Resin	(361)	921	(1,282)	(139.2)
- Ethanol	2,536	4,372	(1,836)	(42.0)
- Investment	287	3,748	(3,461)	(92.3)
- Trading	32	30	2	6.7
- Others	42	38	4	10.5
	<u>2,536</u>	<u>9,109</u>	<u>(6,573)</u>	



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The Group recorded a revenue of RM17.88 million and profit before tax of RM2.54 million in the current quarter under review.

The performance of the operating business segments is as follows:

Resins segment

Revenue for the quarter decreased 23.6% to RM8.69 million from RM11.38 million in the corresponding quarter last year mainly due to lower sales volume and lower average selling price.

Loss before tax of RM0.36 million was recorded for the current quarter under review as compared to a profit before tax of RM0.92 million primarily due to lower sales volume of 18.9% and increase in major raw material prices.

Ethanol segment

Revenue for the quarter decreased 36.1% to RM8.54 million from RM13.36 million in the corresponding quarter last year mainly due to lower sales volume by 44.6%. The surge in demand in the previous corresponding quarter at the start of the Covid-19 pandemic contributed to the substantial increase in volume.

Profit before tax for ethanol segment decreased by RM1.84 million to RM2.54 million from RM4.37 million mainly due to the lower revenue.

Investment segment

Profit before tax of RM0.29 million was recorded in the quarter under review as compared to RM3.75 million in the corresponding quarter last year mainly due to a realised gain on foreign exchange amounting to RM3.15 million was recorded in the corresponding quarter last year.



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(b) Current year-to-date compared with year-to-date of FY 2020

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

	9 months ended		Variance	
	31/3/2021	31/3/2020	RM'000	%
	RM'000	RM'000		
Revenue				
- Resin	26,461	38,068	(11,607)	(30.5)
- Ethanol	27,610	28,587	(977)	(3.4)
- Investment	900	1,148	(248)	(21.6)
- Trading	853	660	193	29.2
- Others	654	385	269	69.9
	<u>56,478</u>	<u>68,848</u>	<u>(12,370)</u>	

	9 months ended		Variance	
	31/3/2021	31/3/2020	RM'000	%
	RM'000	RM'000		
Profit before tax				
- Resin	409	2,980	(2,571)	(86.3)
- Ethanol	9,107	7,592	1,515	20.0
- Investment	1,217	3,766	(2,549)	(67.7)
- Trading	166	100	66	66.0
- Others	249	82	167	203.7
	<u>11,148</u>	<u>14,520</u>	<u>(3,372)</u>	

The Group recorded a revenue of RM56.48 million and a profit before tax of RM11.15 million in the current period under review.

The performance of the operating business segments is as follows:



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Resins segment

Revenue for the period decreased 30.5% to RM26.46 million from RM38.07 million in the corresponding period last year mainly due to lower sales volume of 22.4% and lower average selling price.

Resins segment recorded a profit before tax of RM0.41 million in the current period under review as compared to RM2.98 million in the corresponding period last year mainly due to lower sales revenue and margin compression.

Ethanol segment

Revenue for the period decreased 3.4% to RM27.61 million from RM28.59 million in the corresponding period last year. Sales volume decreased 15.9% as conditions have normalized from the high base last year due to Covid-19. However, this was mitigated by an increase in average selling price.

Profit before tax for ethanol segment increased by RM1.52 million to RM9.11 million from RM7.59 million mainly due to lower unit production costs from higher production volumes.

Investment segment

Profit before tax of RM1.22 million was recorded as compared to RM3.77 million in the corresponding period last year mainly due to a realised gain on foreign exchange amounting to RM3.15 million was recorded in the corresponding period last year.



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B2. Comparison of results for the 3rd Quarter of FY 2021 against immediate preceding 2nd Quarter of FY 2021

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

	Quarter ended		Variance	
	31/3/2021	31/12/2020	RM'000	%
Revenue				
- Resin	8,686	8,762	(76)	(0.9)
- Ethanol	8,539	9,177	(638)	(7.0)
- Investment	304	433	(129)	(29.8)
- Trading	230	285	(55)	(19.3)
- Others	118	265	(147)	(55.5)
	<u>17,877</u>	<u>18,922</u>	<u>(1,045)</u>	

	Quarter ended		Variance	
	31/3/2021	31/12/2020	RM'000	%
Profit before tax				
- Resin	(361)	3	(364)	(>100.0)
- Ethanol	2,536	3,083	(547)	(17.7)
- Investment	287	588	(301)	(51.2)
- Trading	32	55	(23)	(41.8)
- Others	42	113	(71)	(62.8)
	<u>2,536</u>	<u>3,842</u>	<u>(1,306)</u>	

Revenue for the quarter under review was RM17.88 million as compared to RM18.92 million in the immediate preceding quarter.



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Profit before tax for the quarter under review was RM2.54 million as compared to RM3.84 million in the immediate preceding quarter. Our resins segment recorded a loss before tax mainly due to increase in major raw material prices. Our ethanol segment recorded a lower profit before tax mainly due to a lower average selling price due to product mix and lower sales volume.

B3. Prospects

For the 4th quarter, the Group's ethanol segment could see lower revenues and profit compared with the 3rd quarter. Sales volume could be lower due to the full MCO lockdown implemented by the government while a recent rise in the price of molasses, a major raw material, is expected to lead to a decline in profit vs the 3rd quarter.

Conditions in the Group's resins business remain difficult. In addition to the stricter government regulations against the logging industry, a recent rise in raw material prices is expected to impact profitability in the 4th quarter. Although the Group has been able to raise selling prices of resins, the price increase has not been enough to offset the rise in raw material costs. As a result, the pretax loss seen in 3rd quarter is expected to widen in the 4th quarter.

Despite the onset of vaccinations globally, Covid-19 remains a problem in many parts of the world, including Malaysia. As a result, economic conditions and stock markets will continue to be volatile during the remaining financial year.

B4. Comparison with profit forecast

This note is not applicable.



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B5. Income tax

Taxation comprises:

	Quarter		Year to date	
	3 months ended		9 months ended	
	31/3/2021	31/3/2020	31/3/2021	31/3/2020
	RM'000	RM'000	RM'000	RM'000
Estimated current Malaysian taxation	657	1,333	2,616	2,840
Deferred taxation	(42)	(108)	(204)	(281)
	615	1,225	2,412	2,559
(Over)/Under provision in prior years - income tax	(6)	45	(6)	45
	609	1,270	2,406	2,604

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.

B6. Profit before taxation

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

	Quarter		Year to date	
	3 months ended		9 months ended	
	31/3/2021	31/3/2020	31/3/2021	31/3/2020
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	505	602	1,708	1,806
Loss allowance on trade receivables	13	-	217	-
Inventories written off	-	-	10	-
Interest expense	-	1	2	16
Interest income	(377)	(45)	(1,284)	(124)
Net (gain) arising from financial assets designated as at FVTPL	(10)	-	(32)	-
Net realised (gain) on foreign exchange	-	(3,149)	-	(3,149)
Net unrealised (gain) on foreign exchange	(15)	-	(5)	-



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Other than the above items, there was no write off of receivables, provision for 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 last reporting period up to the date of this report.

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:



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	Quarter		Year to date	
	3 months ended		9 months ended	
	31/3/2021	31/3/2020	31/3/2021	31/3/2020
Net profit attributable to Owners of the Company(RM'000)	1,997	7,698	8,703	11,468
Weighted average number of ordinary shares	200,380,036	200,380,036	200,380,036	200,380,036
Basic/Diluted earning per share(sen)	1.0	3.8	4.3	5.7

B12. Disclosure of realised and unrealised profits

	As at 31/03/2021 RM'000	As at 30/06/2020 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	106,402	112,943
- Unrealised	3,102	2,887
Total group retained profits as per consolidated accounts	109,504	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.

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 28 May 2021.