



## **HEXZA CORPORATION BERHAD** 196901000339 (8705-K)

**Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 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 year except for RM41.70 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 year 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 year ended 30 June 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
<b>REVENUE</b>							
External sales	36,923	35,044	1,572	1,122	767	-	75,428
Inter-segment sales	-	822	10,333	-	-	(11,155)	-
Total revenue	36,923	35,866	11,905	1,122	767	(11,155)	75,428
<b>RESULT</b>							
Operating profit/(loss)	(579)	10,464	11,220	128	7,170	(17,484)	10,919
Interest expense							(5)
Interest income							1,676
Taxation							(2,532)
Profit after tax							10,058

**A9. Material subsequent event**

There are no material events subsequent to the end of year reported on to the date of this report which have not been reflected in the financial statements for the quarter ended 30 June 2021.

**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.



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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) 4<sup>th</sup> Quarter of FY 2021 compared with 4<sup>th</sup> 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	
	30/6/2021	30/6/2020	RM'000	%
Revenue				
- Resin	10,463	10,854	(391)	(3.6)
- Ethanol	7,441	9,845	(2,404)	(24.4)
- Investment	672	621	51	8.2
- Trading	263	197	66	33.5
- Others	111	142	(31)	(21.8)
	<u>18,950</u>	<u>21,659</u>	<u>(2,709)</u>	

	Quarter ended		Variance	
	30/6/2021	30/6/2020	RM'000	%
Profit before tax				
- Resin	(971)	808	(1,779)	(220.2)
- Ethanol	1,604	3,482	(1,878)	(53.9)
- Investment	758	830	(72)	(8.7)
- Trading	40	36	4	11.1
- Others	11	15	(4)	(26.7)
	<u>1,442</u>	<u>5,171</u>	<u>(3,729)</u>	



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The Group recorded a revenue of RM18.95 million and profit before tax of RM1.44 million in the current quarter under review.

The performance of the operating business segments is as follows:

#### **Resins segment**

Revenue for the quarter decreased slightly to RM10.46 million from RM10.85 million in the corresponding quarter last year mainly due to lower sales volume. However, this was mitigated by increase in average selling price.

Loss before tax of RM0.97 million was recorded for the current quarter under review as compared to a profit before tax of RM0.81 million primarily due to lower sales volume of 11.0% and margin compression. Although we have been able to raise the selling price of our resin, the increase cannot match the sharp increase in major raw material prices.

#### **Ethanol segment**

Revenue of RM7.44 million was recorded in the quarter under review as compared to RM9.84 million in the corresponding quarter last year mainly due to lower sales volume and lower average selling price as a result of changes in sales mix.

Profit before tax of RM1.60 million was recorded in the quarter under review as compared to RM3.48 million in the corresponding quarter last year mainly due to lower revenue.

#### **Investment segment**

Profit before tax of RM0.76 million was recorded in the quarter under review as compared to RM0.83 million in the corresponding



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quarter last year mainly due to lower interest income from money market funds recorded in the quarter under review.

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

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

	12 months ended		Variance	
	30/6/2021	30/6/2020	RM'000	%
Revenue				
- Resin	36,923	48,922	(11,999)	(24.5)
- Ethanol	35,052	38,432	(3,380)	(8.8)
- Investment	1,572	1,769	(197)	(11.1)
- Trading	1,115	857	258	30.1
- Others	766	527	239	45.4
	<u>75,428</u>	<u>90,507</u>	<u>(15,079)</u>	

	12 months ended		Variance	
	30/6/2021	30/6/2020	RM'000	%
Profit before tax				
- Resin	(564)	3,788	(4,352)	(114.9)
- Ethanol	10,711	11,075	(364)	(3.3)
- Investment	1,975	4,596	(2,621)	(57.0)
- Trading	206	136	70	51.5
- Others	262	95	167	175.8
	<u>12,590</u>	<u>19,690</u>	<u>(7,100)</u>	

The Group recorded a revenue of RM75.43 million and a profit before tax of RM12.59 million in the current financial year under review.



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The performance of the operating business segments is as follows:

### **Resins segment**

Revenue for the current financial year decreased 24.5% to RM36.92 million from RM48.92 million in the last financial year mainly due to lower sales volume of 19.8% and lower average selling price.

Resins segment recorded a loss before tax of RM0.56 million in the current financial year as compared to profit before tax of RM3.79 million in the last financial year mainly due to lower sales revenue and margin compression.

### **Ethanol segment**

Revenue of RM35.05 million was recorded for the current financial year as compared to RM38.43 million in the last financial year. Sales volume decreased 16.1% as conditions have normalized from the high base last year due to Covid-19. However, this was mitigated by increase in average selling price.

Profit before tax for ethanol segment decreased slightly by RM0.36 million to RM10.71 million from RM11.07 million despite lower sales revenue as this was mitigated by higher gross contribution margin.

### **Investment segment**

Profit before tax of RM1.98 million was recorded as compared to RM4.60 million in the last financial year mainly due to realised gain on foreign exchange amounting to RM3.15 million was recorded in the last financial year.



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**B2. Comparison of results for the 4<sup>th</sup> Quarter of FY 2021 against immediate preceding 3<sup>rd</sup> 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	
	30/6/2021	31/3/2021	RM'000	%
Revenue				
- Resin	10,463	8,686	1,777	20.5
- Ethanol	7,441	8,539	(1,098)	(12.9)
- Investment	672	304	368	121.1
- Trading	263	230	33	14.3
- Others	111	118	(7)	(5.9)
	<u>18,950</u>	<u>17,877</u>	<u>1,073</u>	

	Quarter ended		Variance	
	30/6/2021	31/3/2021	RM'000	%
Profit before tax				
- Resin	(971)	(361)	(610)	(>100.0)
- Ethanol	1,604	2,536	(932)	(36.8)
- Investment	758	287	471	164.1
- Trading	40	32	8	25.0
- Others	11	42	(31)	(73.8)
	<u>1,442</u>	<u>2,536</u>	<u>(1,094)</u>	

Revenue for the quarter under review increased by 6.0% to RM18.95 million from RM17.88 million in the immediate preceding quarter. Our resins segment's revenue increased by RM1.78 million due to an increase in both sales volume and average selling price.

Profit before tax for the quarter under review was RM1.44 million as compared to RM2.54 million in the immediate preceding quarter.





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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 lower sales volume and lower average selling price as a result of changes in sales mix.

### **B3. Prospects**

Covid-19 has become the biggest crisis in a generation. The global pandemic has caused unprecedented disruptions to businesses and economies worldwide. Despite the onset of vaccinations globally, Covid-19 remains a problem in many parts of the world, including Malaysia which has been in lockdown for most of the past financial year, and still remains in lockdown. The emergence of new variants of the Covid-19 virus has added further uncertainty as to when the economy will open-up and normalize. As a result, economic conditions and stock markets will continue to be volatile.

The Board of Directors expects the ethanol segment to continue facing challenging conditions as the lockdown in Malaysia has affected operations of customers and their demand for ethanol. However, the ethanol segment is expected to post a profit before tax for the financial year ending 30 June 2022.

Our resins division is expected to operate in a challenging environment due to lower expected demand from our plywood customers who are facing log supply issues. Further, rising raw material prices would also pressure profit margins. We strive for our resins segment to be profitable for the financial year ending 30 June 2022.



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**B4. Comparison with profit forecast**

This note is not applicable.

**B5. Income tax**

Taxation comprises:

	Quarter ended 3 months		Year ended 12 months	
	30/6/2021	30/6/2020	30/6/2021	30/6/2020
	RM'000	RM'000	RM'000	RM'000
Estimated current Malaysian taxation	235	1,164	2,851	4,004
Deferred taxation	(158)	(40)	(362)	(321)
	77	1,124	2,489	3,683
(Over)/Under provision in prior years				
- income tax	47	-	41	45
- deferred tax	2	(63)	2	(63)
	126	1,061	2,532	3,665

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 before taxation**

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



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	Quarter ended		Year ended	
	3 months		12 months	
	30/6/2021	30/6/2020	30/6/2021	30/6/2020
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	566	601	2,274	2,407
Expected credit loss allowance	(14)	-	203	-
Warrants expired designated as at FVTOCI	-	1	-	1
Property, plant and equipment written off	4	9	4	9
Inventories written (back)/off	(24)	64	(14)	64
Interest expense	3	2	5	6
Interest income	(392)	(1,013)	(1,676)	(1,137)
Net (gain) arising from financial assets designated as at FVTPL	(10)	(69)	(42)	(69)
Net realised (gain) on foreign exchange	-	(21)	-	(3,170)
Net unrealised loss/(gain) on foreign exchange	3	5	(2)	5

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 or current financial year to date.

**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.



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**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**

- (a) A final dividend of 7.5 sen per share in respect of the financial year ended 30 June 2021 has been recommended by the Directors which is subject to the approval of the shareholders at the forthcoming Annual General Meeting.
- (b) The final dividend of 5.0 sen per share and a special dividend of 2.5 sen per share was paid for the last financial year ended 30 June 2020.
- (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 per share are calculated as follows:

	Quarter ended		Year ended	
	3 months		12 months	
	30/6/2021	30/6/2020	30/6/2021	30/6/2020
Net profit attributable to Owners of the Company(RM'000)	1,460	3,986	10,163	15,453
Weighted average number of ordinary shares	200,380,036	200,380,036	200,380,036	200,380,036
Basic/Diluted earning per share(sen)	0.7	2.0	5.1	7.7



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**B12. Disclosure of realised and unrealised profits**

	As at 30/06/2021 RM'000	As at 30/06/2020 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	107,920	112,943
- Unrealised	3,045	2,887
	<hr/>	<hr/>
Total group retained profits as per consolidated accounts	110,965	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 27 August 2021.