



HEXZA CORPORATION BERHAD 196901000339 (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30 September 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 2021 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 2021:

Amendments to MFRSs	Annual Improvements to MFRS Standards 2018 - 2020
MFRS 17	Insurance Contracts
Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 10 and 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current
Amendments to MFRS 101	Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates



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Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract

A2. Audit report

The audit report for the financial year ended 30 June 2021 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.

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.



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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 single-tier dividend of 7.5 sen per share by the Board of Directors in respect of the financial year ended 30 June 2021 will be paid on 17 December 2021, subject to the approval by the shareholders at the forthcoming Annual General Meeting to be held on 27 November 2021.

A8. Segment revenue and segment result

Information on business segments for the financial period ended 30 September 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	11,880	8,172	102	76	153	-	20,383
Inter-segment sales	-	58	-	-	-	(58)	-
Total revenue	11,880	8,230	102	76	153	(58)	20,383
RESULT							
Operating profit/(loss)	(614)	1,971	(90)	(16)	37	-	1,288
Interest expense							(3)
Interest income							394
Taxation							(376)
Profit after tax							1,303



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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 2021 save as below:

As at 25 November 2021, the aggregate value of our investment portfolio was RM28.60 million higher as compared to the reported value as at 30 September 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.

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 2022 compared with 1st Quarter of FY 2021

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



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	Quarter ended		Variance	
	30/9/2021	30/9/2020	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue				
- Resin	11,880	9,013	2,867	31.8
- Ethanol	8,172	9,895	(1,723)	(17.4)
- Investment	102	162	(60)	(37.0)
- Trading	76	338	(262)	(77.5)
- Others	153	271	(118)	(43.5)
	<u>20,383</u>	<u>19,679</u>	<u>704</u>	

	Quarter ended		Variance	
	30/9/2021	30/9/2020	RM'000	%
	RM'000	RM'000	RM'000	%
Profit/(Loss) before tax				
- Resin	(612)	768	(1,380)	(179.7)
- Ethanol	2,027	3,488	(1,461)	(41.9)
- Investment	223	343	(120)	(35.0)
- Trading	3	79	(76)	(96.2)
- Others	38	92	(54)	(58.7)
	<u>1,679</u>	<u>4,770</u>	<u>(3,091)</u>	

The Group recorded a revenue of RM20.38 million and profit before tax of RM1.68 million in the current quarter under review.

The performance of the operating business segments is as follows:

Resins segment

Revenue for the quarter increased 31.8% to RM11.88 million from RM9.01 million in the corresponding quarter last year mainly due to increase in average selling price.



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Loss before tax of RM0.61 million was recorded for the current quarter under review as compared to a profit before tax of RM0.77 million primarily due to margin compression. Although we have been able to raise the selling price of our resin, the increase is not enough to offset the continuous increase in major raw material prices due to stiff competition in the resins industry.

Ethanol segment

Revenue of RM8.17 million was recorded in the quarter under review as compared to RM9.89 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 RM2.03 million was recorded in the quarter under review as compared to RM3.49 million in the corresponding quarter last year mainly due to lower revenue and higher raw material cost.

Investment segment

Profit before tax decreased RM0.12 million to RM0.22 million from RM0.34 million mainly due to both lower dividend income from quoted shares and interest income from money market funds.

B2. Comparison of results for the 1st Quarter of FY 2022 against immediate preceding 4th Quarter of FY 2021

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



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	Quarter ended		Variance	
	30/9/2021	30/6/2021	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue				
- Resin	11,880	10,463	1,417	13.5
- Ethanol	8,172	7,441	731	9.8
- Investment	102	672	(570)	(84.8)
- Trading	76	263	(187)	(71.1)
- Others	153	111	42	37.8
	<u>20,383</u>	<u>18,950</u>	<u>1,433</u>	

	Quarter ended		Variance	
	30/9/2021	30/6/2021	RM'000	%
	RM'000	RM'000	RM'000	%
Profit/(Loss) before tax				
- Resin	(612)	(971)	359	(37.0)
- Ethanol	2,027	1,604	423	26.4
- Investment	223	758	(535)	(70.6)
- Trading	3	40	(37)	(92.5)
- Others	38	11	27	245.5
	<u>1,679</u>	<u>1,442</u>	<u>237</u>	

Revenue for the quarter under review increased 7.6% to RM20.38 million from RM18.95 million in the immediate preceding quarter. Our resins segment's revenue increased by RM1.42 million due to increase in average selling price.

Profit before tax for the quarter under review was RM1.68 million as compared to RM1.44 million in the immediate preceding quarter mainly due to better results from both our resins and ethanol segments but this was partially set off by lower dividend income from quoted shares and lower interest income from money market funds.



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B3. Prospects

Our ethanol segment is expected to remain profitable for the financial year ending 30 June 2022. Our resins segment might be unprofitable for the financial year ending 30 June 2022 with the unprecedented rise in raw material prices.

B4. Comparison with profit forecast

This note is not applicable.

B5. Income tax

Taxation comprises:

	Quarter ended 3 months		Period ended 3 months	
	30/9/2021	30/9/2020	30/9/2021	30/9/2020
	RM'000	RM'000	RM'000	RM'000
Estimated current Malaysian taxation	464	1,122	464	1,122
Deferred taxation	(88)	(87)	(88)	(87)
	<u>376</u>	<u>1,035</u>	<u>376</u>	<u>1,035</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.

B6. Profit before taxation

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



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	Quarter ended		Period ended	
	3 months		3 months	
	30/9/2021	30/9/2020	30/9/2021	30/9/2020
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	509	603	509	603
Expected credit loss allowance no longer required	(9)	-	(9)	-
Property, plant and equipment written off	2	-	2	-
Interest expense	3	2	3	2
Interest income	(394)	(478)	(394)	(478)
Net (gain) arising from financial assets designated as at FVTPL	(10)	(12)	(10)	(12)
Net unrealised (gain)/loss on foreign exchange	(2)	6	(2)	6

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.



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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

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 ended 3 months		Period ended 3 months	
	30/9/2021	30/9/2020	30/9/2021	30/9/2020
Net profit attributable to Owners of the Company(RM'000)	1,417	3,620	1,417	3,620
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	1.8	0.7	1.8

B12. Disclosure of realised and unrealised profits

	As at 30/09/2021 RM'000	As at 30/06/2021 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	109,301	107,920
- Unrealised	3,081	3,045
Total group retained profits as per consolidated accounts	112,382	110,965



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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 26 November 2021.