



## HEXZA CORPORATION BERHAD 196901000339 (8705-K)

Interim Report on Consolidated Results for the Second Quarter ended 31 December 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 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 period except for RM26.27 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.



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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**

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 were approved by the shareholders at the 52<sup>nd</sup> Annual General Meeting on 27 November 2021. The dividend amounting to RM15.029 million was paid on 17 December 2021.

**A8. Segment revenue and segment result**

Information on business segments for the financial period ended 31 December 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	24,664	14,751	679	342	305	-	40,741
Inter-segment sales	-	318	-	-	-	(318)	-
Total revenue	24,664	15,069	679	342	305	(318)	40,741
<b>RESULT</b>							
Operating profit/(loss)	(841)	3,472	278	(45)	71	-	2,935
Interest expense							(23)
Interest income							759
Taxation							(815)
Profit after tax							2,856



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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 31 December 2021 save as below.

As at 24 February 2022, the aggregate value of our investment portfolio was RM21.14 million lower as compared to the reported value as at 31 December 2021.

### **A10. Change in composition of the Group**

There are no changes in the composition of the Group for the current quarter and financial period to date including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations other than as stated below.

During the current quarter, the following subsidiary companies had been struck off from the Register of Companies pursuant to Section 550 of the Companies Act, 2016:

- (a) NC Management Services Sdn Bhd ;
- (b) Norsechem Polymer Sdn Bhd ;
- (c) Norse-Med Devices Sdn Bhd ; and
- (d) Trizenith Sdn Bhd.

### **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.



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

**B1. Review of performance**

**(a) 2<sup>nd</sup> Quarter of FY 2022 compared with 2<sup>nd</sup> Quarter of FY 2021**

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

	Quarter ended		Variance	
	31/12/2021	31/12/2020	RM'000	%
Revenue				
- Resin	12,784	8,762	4,022	45.9
- Ethanol	6,579	9,177	(2,598)	(28.3)
- Investment	577	433	144	33.3
- Trading	266	285	(19)	(6.7)
- Others	152	265	(113)	(42.6)
	<u>20,358</u>	<u>18,922</u>	<u>1,436</u>	

	Quarter ended		Variance	
	31/12/2021	31/12/2020	RM'000	%
Profit/(Loss) before tax				
- Resin	(245)	3	(248)	>(100.0)
- Ethanol	1,554	3,083	(1,529)	(49.6)
- Investment	661	588	73	12.4
- Trading	(11)	55	(66)	>(100.0)
- Others	33	113	(80)	(70.8)
	<u>1,992</u>	<u>3,842</u>	<u>(1,850)</u>	

The Group recorded a revenue of RM20.36 million and profit before tax of RM1.99 million in the current quarter.



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The performance of the operating business segments is as follows:

#### **Resins segment**

Revenue for the quarter increased 45.9% to RM12.78 million from RM8.76 million in the corresponding quarter last year mainly due to increase in average selling price.

Loss before tax of RM0.24 million was recorded for the current quarter as compared to a profit before tax of RM3 thousand mainly due to lower sales volume and margin compression. Although we have been able to raise the selling price of our resin, the increase cannot match the prolonged unprecedented steep increase in prices of major raw materials.

#### **Ethanol segment**

Revenue of RM6.58 million was recorded in the current quarter as compared to RM9.18 million in the corresponding quarter last year mainly due to lower sales volume.

Profit before tax of RM1.55 million was recorded in the current quarter as compared to RM3.08 million in the corresponding quarter last year mainly due to lower revenue and higher raw material cost.

#### **Investment segment**

Profit before tax increased marginally to RM0.66 million from RM0.59 million mainly due to higher dividend income from quoted shares.



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**(b) Current year-to-date compared with year-to-date of FY 2021**

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

	6 months ended		Variance	
	31/12/2021	31/12/2020	RM'000	%
Revenue				
- Resin	24,664	17,775	6,889	38.8
- Ethanol	14,751	19,072	(4,321)	(22.7)
- Investment	679	595	84	14.1
- Trading	342	623	(281)	(45.1)
- Others	305	536	(231)	(43.1)
	<u>40,741</u>	<u>38,601</u>	<u>2,140</u>	

	6 months ended		Variance	
	31/12/2021	31/12/2020	RM'000	%
Profit before tax				
- Resin	(857)	770	(1,627)	>(100.0)
- Ethanol	3,581	6,571	(2,990)	(45.5)
- Investment	884	931	(47)	(5.0)
- Trading	(8)	134	(142)	>(100.0)
- Others	71	206	(135)	(65.5)
	<u>3,671</u>	<u>8,612</u>	<u>(4,941)</u>	

The Group recorded a revenue of RM40.74 million and profit before tax of RM3.67 million for the current period.



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The performance of the operating business segments is as follows:

#### **Resins segment**

Revenue for the period increased 38.8% to RM24.66 million from RM17.77 million in the corresponding period last year mainly due to increase in average selling price.

A loss before tax of RM0.86 million was recorded compared to a profit before tax of RM0.77 million previously mainly due to lower sales volume and 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 for the period decreased 22.7% to RM14.75 million from RM19.07 million in the corresponding period last year mainly due to lower sales.

Profit before tax for ethanol segment decreased to RM3.58 million for RM6.57 million previously mainly due to lower revenue.

#### **Investment segment**

Profit before tax of RM0.88 million was recorded as compared to RM0.93 million in the corresponding period last year mainly due to lower interest income from other investments recorded in the current period.





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**B2. Comparison of results for the 2<sup>nd</sup> Quarter of FY 2022 against immediate preceding 1<sup>st</sup> Quarter of FY 2022**

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

	Quarter ended		Variance	
	31/12/2021	30/9/2021	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue				
- Resin	12,784	11,880	904	7.6
- Ethanol	6,579	8,172	(1,593)	(19.5)
- Investment	577	102	475	>100.0
- Trading	266	76	190	>100.0
- Others	152	153	(1)	(0.7)
	<u>20,358</u>	<u>20,383</u>	<u>(25)</u>	
	Quarter ended		Variance	
	31/12/2021	30/9/2021	RM'000	%
	RM'000	RM'000	RM'000	%
Profit/(Loss) before tax				
- Resin	(245)	(612)	367	(60.0)
- Ethanol	1,554	2,027	(473)	(23.3)
- Investment	661	223	438	>100.0
- Trading	(11)	3	(14)	>(100.0)
- Others	33	38	(5)	(13.2)
	<u>1,992</u>	<u>1,679</u>	<u>313</u>	

Revenue for the current quarter was RM20.36 million as compared to RM20.38 million in the immediate preceding quarter. Our resins segment's revenue increased by RM0.90 million due to increase in average selling price whereas ethanol segment's revenue decreased due to lower sales volume.

Profit before tax for the current quarter was RM1.99 million as compared to RM1.68 million in the immediate preceding quarter mainly due to better results from both our resins and investment segments but this was partially set off by lower profit from the ethanol segment.



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**B3. Prospects**

The Board is of the opinion that the business and operating environment in the current financial year will remain challenging and competitive. It will be most challenging to attain the same profit as the financial year ended 30 June 2021 in view of the challenges faced by our resins segment. Our ethanol segment is expected to remain profitable for the financial year ending 30 June 2022.

**B4. Comparison with profit forecast**

This note is not applicable.

**B5. Income tax**

Taxation comprises:

	Quarter ended		Period ended	
	3 months		6 months	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RM'000	RM'000	RM'000	RM'000
Estimated current Malaysian taxation	507	837	971	1,959
Deferred taxation	(68)	(75)	(156)	(162)
	<u>439</u>	<u>762</u>	<u>815</u>	<u>1,797</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.



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**B6. Profit before taxation**

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

	Quarter ended		Period ended	
	3 months	3 months	6 months	6 months
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	489	600	998	1,203
Bad debts written off	1	-	1	-
Expected credit loss allowance	2	204	2	204
Expected credit loss allowance no longer required	-	-	(9)	-
Property, plant and equipment written off	-	-	2	-
Inventories written off	-	10	-	10
Interest expense	20	-	23	2
Interest income	(365)	(429)	(759)	(907)
Net (gain) arising from financial assets designated as at FVTPL	(10)	(10)	(20)	(22)
Net unrealised loss on foreign exchange	2	4	-	10

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.



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**B8. Group borrowings and debt securities**

The Group's short-term borrowing of RM2.00 million as at 31 December 2021 was due to the utilisation of trade facility from a licensed bank bearing interest at rate of 3.08% per annum.

**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.

**B11. Earnings per share**

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

	Quarter ended		Period ended	
	3 months		6 months	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Net profit attributable to Owners of the Company(RM'000)	1,598	3,086	3,015	6,706
Weighted average number of ordinary shares	200,380,036	200,380,036	200,380,036	200,380,036
Basic/Diluted earning per share(sen)	0.8	1.6	1.5	3.4



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

	As at 31/12/2021 RM'000	As at 30/06/2021 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	95,856	107,920
- Unrealised	3,095	3,045
Total group retained profits as per consolidated accounts	<u>98,951</u>	<u>110,965</u>

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 25 February 2022.