



## HEXZA CORPORATION BERHAD 196901000339 (8705-K)

Interim Report on Consolidated Results for the Third Quarter ended 31 March 2022

### 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



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

**Interim Report on Consolidated Results for the Third Quarter ended 31 March 2022**

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 RM17.23 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 Third Quarter ended 31 March 2022

**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 March 2022 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	37,836	18,922	831	342	485	-	58,416
Inter-segment sales	-	318	-	-	-	(318)	-
Total revenue	37,836	19,240	831	342	485	(318)	58,416
<b>RESULT</b>							
Operating profit/(loss)	(757)	3,946	224	(94)	123	-	3,442
Interest expense							(31)
Interest income							1,058
Taxation							(816)
Profit after tax							3,653



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

**Interim Report on Consolidated Results for the Third Quarter ended 31 March 2022**

### **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 2022 save as below.

As at 25 May 2022, the aggregate value of our investment portfolio was RM25.26 million lower as compared to the reported value as at 31 March 2022.

### **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.

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

- (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.



## HEXZA CORPORATION BERHAD 196901000339 (8705-K)

Interim Report on Consolidated Results for the Third Quarter ended 31 March 2022

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

#### B1. Review of performance

##### (a) 3<sup>rd</sup> Quarter of FY 2022 compared with 3<sup>rd</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	
	31/3/2022	31/3/2021	RM'000	%
	RM'000	RM'000		
Revenue				
- Resin	13,173	8,686	4,487	51.7
- Ethanol	4,171	8,539	(4,368)	(51.2)
- Investment	152	304	(152)	(50.0)
- Trading	-	230	(230)	(100.0)
- Others	179	118	61	51.7
	<u>17,675</u>	<u>17,877</u>	<u>(202)</u>	

	Quarter ended		Variance	
	31/3/2022	31/3/2021	RM'000	%
	RM'000	RM'000		
Profit/(Loss) before tax				
- Resin	76	(361)	437	(121.1)
- Ethanol	522	2,536	(2,014)	(79.4)
- Investment	178	287	(109)	(38.0)
- Trading	(30)	32	(62)	(193.8)
- Others	52	42	10	23.8
	<u>798</u>	<u>2,536</u>	<u>(1,738)</u>	

The Group recorded a revenue of RM17.68 million and profit before tax of RM0.80 million in the current quarter.



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

### **Interim Report on Consolidated Results for the Third Quarter ended 31 March 2022**

The performance of the operating business segments is as follows:

#### **Resins segment**

Revenue for the quarter increased 51.7% to RM13.17 million from RM8.69 million in the corresponding quarter last year mainly due to increase in average selling price in tandem with the increase in raw material prices. However, this was partially set off by lower sales volume.

Profit before tax of RM0.08 million was recorded for the current quarter as compared to a loss before tax of RM0.36 million due to margin improvement. Even though revenue improved substantially, the increased in selling price cannot match the increase in raw material prices.

#### **Ethanol segment**

Revenue of RM4.17 million was recorded in the current quarter as compared to RM8.54 million in the corresponding quarter last year mainly due to lower sales volume.

Profit before tax of RM0.52 million was recorded in the current quarter as compared to RM2.54 million in the corresponding quarter last year mainly due to lower revenue and higher raw material cost.

#### **Investment segment**

Profit before tax decreased to RM0.18 million from RM0.29 million mainly due to lower dividend income from quoted shares.



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

**Interim Report on Consolidated Results for the Third Quarter ended 31 March 2022**

**(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:

	9 months ended		Variance	
	31/3/2022	31/3/2021	RM'000	%
	RM'000	RM'000		
Revenue				
- Resin	37,836	26,461	11,375	43.0
- Ethanol	18,922	27,610	(8,688)	(31.5)
- Investment	831	900	(69)	(7.7)
- Trading	342	853	(511)	(59.9)
- Others	485	654	(169)	(25.8)
	<u>58,416</u>	<u>56,478</u>	<u>1,938</u>	

	9 months ended		Variance	
	31/3/2022	31/3/2021	RM'000	%
	RM'000	RM'000		
Profit/(Loss) before tax				
- Resin	(781)	409	(1,190)	(291.0)
- Ethanol	4,103	9,107	(5,004)	(54.9)
- Investment	1,062	1,217	(155)	(12.7)
- Trading	(39)	166	(205)	(123.5)
- Others	124	249	(125)	(50.2)
	<u>4,469</u>	<u>11,148</u>	<u>(6,679)</u>	

The Group recorded a revenue of RM58.42 million and profit before tax of RM4.47 million for the current period.



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

### **Interim Report on Consolidated Results for the Third Quarter ended 31 March 2022**

The performance of the operating business segments is as follows:

#### **Resins segment**

Revenue for the period increased 43.0% to RM37.84 million from RM26.46 million in the corresponding period last year mainly due to increase in average selling price.

A loss before tax of RM0.78 million was recorded compared to a profit before tax of RM0.41 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 was 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 31.5% to RM18.92 million from RM27.61 million in the corresponding period last year mainly due to lower sales volume.

Profit before tax for ethanol segment decreased to RM4.10 million for RM9.11 million previously mainly due to lower revenue and higher raw material cost.

#### **Investment segment**

Profit before tax of RM1.06 million was recorded as compared to RM1.22 million in the corresponding period last year mainly due to lower interest income from other investments recorded in the current period.





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

Interim Report on Consolidated Results for the Third Quarter ended 31 March 2022

**B2. Comparison of results for the 3<sup>rd</sup> Quarter of FY 2022 against immediate preceding 2<sup>nd</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	
	31/3/2022	31/12/2021	RM'000	%
Revenue				
- Resin	13,173	12,784	389	3.0
- Ethanol	4,171	6,579	(2,408)	(36.6)
- Investment	152	577	(425)	(73.7)
- Trading	-	266	(266)	(100.0)
- Others	179	152	27	17.8
	<u>17,675</u>	<u>20,358</u>	<u>(2,683)</u>	

	Quarter ended		Variance	
	31/3/2022	31/12/2021	RM'000	%
Profit/(Loss) before tax				
- Resin	76	(245)	321	(131.0)
- Ethanol	522	1,554	(1,032)	(66.4)
- Investment	178	661	(483)	(73.1)
- Trading	(30)	(11)	(19)	172.7
- Others	52	33	19	57.6
	<u>798</u>	<u>1,992</u>	<u>(1,194)</u>	

Revenue for the current quarter was RM17.68 million as compared to RM20.36 million in the immediate preceding quarter. Our resins segment's revenue increased by RM0.39 million due to increase in average selling price whereas ethanol segment's revenue decreased due to lower sales volume.



## HEXZA CORPORATION BERHAD 196901000339 (8705-K)

### Interim Report on Consolidated Results for the Third Quarter ended 31 March 2022

Profit before tax for the current quarter was RM0.80 million as compared to RM1.99 million in the immediate preceding quarter mainly lower profit from the ethanol segment.

#### B3. Prospects

The Board is of the opinion that the challenges and competitive environment experienced in the last quarter will remain. 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 both our ethanol and resins segments. 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 3 months		Period ended 9 months	
	31/3/2022	31/3/2021	31/3/2022	31/3/2021
	RM'000	RM'000	RM'000	RM'000
Estimated current Malaysian taxation	149	657	1,120	2,616
Deferred taxation	(40)	(42)	(196)	(204)
	109	615	924	2,412
Over provision in prior years - income tax	(108)	(6)	(108)	(6)
	1	609	816	2,406



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

**Interim Report on Consolidated Results for the Third Quarter ended 31 March 2022**

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 ended		Period ended	
	3 months		9 months	
	31/3/2022	31/3/2021	31/3/2022	31/3/2021
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	488	505	1,486	1,708
Bad debts written off	-	-	1	-
Expected credit loss allowance	-	13	2	217
Expected credit loss allowance no longer required	-	-	(9)	-
Property, plant and equipment written off	-	-	2	-
Inventories written off	-	-	-	10
Interest expense	8	-	31	2
Interest income	(299)	(377)	(1,058)	(1,284)
Net (gain) arising from financial assets designated as at FVTPL	(10)	(10)	(30)	(32)
Net unrealised (gain) on foreign exchange	(7)	(15)	(7)	(5)

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**



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

**Interim Report on Consolidated Results for the Third Quarter ended 31 March 2022**

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.

**B11. Earnings per share**

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

	Quarter ended		Period ended	
	3 months		9 months	
	31/3/2022	31/3/2021	31/3/2022	31/3/2021
Net profit attributable to Owners of the Company(RM'000)	778	1,997	3,793	8,703
Weighted average number of ordinary shares	200,380,036	200,380,036	200,380,036	200,380,036
Basic/Diluted earning per share(sen)	0.4	1.0	1.9	4.3



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

Interim Report on Consolidated Results for the Third Quarter ended 31 March 2022

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

	As at 31/03/2022 RM'000	As at 30/06/2021 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	96,646	107,920
- Unrealised	3,083	3,045
Total group retained profits as per consolidated accounts	<u>99,729</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 27 May 2022.