



## HEXZA CORPORATION BERHAD 196901000339 (8705-K)

Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 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)

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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 year except for RM17.72 million reduction in 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 year to date.

**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 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	51,451	23,136	1,514	390	678	-	77,169
Inter-segment sales	-	366	-	-	-	(366)	-
Total revenue	51,451	23,502	1,514	390	678	(366)	77,169
<b>RESULT</b>							
Operating profit/(loss)	427	4,412	1,079	(79)	754	(263)	6,330
Interest expense							(33)
Interest income							803
Taxation							(1,109)
Profit after tax							5,991



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### **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 2022 save as below.

As at 25 August 2022, the aggregate value of our investment portfolio was RM20.60 million higher as compared to the reported value as at 30 June 2022.

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

There are no changes in the composition of the Group for the current quarter and financial year 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 second 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.



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**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 2022 compared with 4<sup>th</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	
	30/6/2022	30/6/2021	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue				
- Resin	13,615	10,463	3,152	30.1
- Ethanol	4,215	7,441	(3,226)	(43.4)
- Investment	682	672	10	1.5
- Trading	48	263	(215)	(81.7)
- Others	193	111	82	73.9
	<u>18,753</u>	<u>18,950</u>	<u>(197)</u>	

	Quarter ended		Variance	
	30/6/2022	30/6/2021	RM'000	%
	RM'000	RM'000	RM'000	%
Profit/(Loss) before tax				
- Resin	1,183	(971)	2,154	>100
- Ethanol	437	1,604	(1,167)	(72.8)
- Investment	790	758	32	4.2
- Trading	(9)	40	(49)	(>100)
- Others	230	11	219	>100
	<u>2,631</u>	<u>1,442</u>	<u>1,189</u>	

The Group recorded a revenue of RM18.75 million and profit before tax of RM2.63 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 30.1% to RM13.61 million from RM10.46 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 RM1.18 million was recorded for the current quarter as compared to a loss before tax of RM0.97 million due to margin improvement.

### **Ethanol segment**

Revenue of RM4.21 million was recorded in the current quarter as compared to RM7.44 million in the corresponding quarter last year mainly due to lower sales volume.

Profit before tax of RM0.44 million was recorded in the current quarter as compared to RM1.60 million in the corresponding quarter last year mainly due to lower revenue and higher raw material cost.

### **Investment segment**

Profit before tax maintained at RM0.79 million as compared to RM0.76 million in the corresponding quarter last year.



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

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

	12 months ended		Variance	
	30/6/2022	30/6/2021	RM'000	%
	RM'000	RM'000		
Revenue				
- Resin	51,451	36,923	14,528	39.3
- Ethanol	23,136	35,052	(11,916)	(34.0)
- Investment	1,514	1,572	(58)	(3.7)
- Trading	390	1,115	(725)	(65.0)
- Others	678	766	(88)	(11.5)
	<u>77,169</u>	<u>75,428</u>	<u>1,741</u>	

	12 months ended		Variance	
	30/6/2022	30/6/2021	RM'000	%
	RM'000	RM'000		
Profit/(Loss) before tax				
- Resin	401	(564)	965	>100
- Ethanol	4,540	10,711	(6,171)	(57.6)
- Investment	1,852	1,975	(123)	(6.2)
- Trading	(47)	206	(253)	(>100)
- Others	354	262	92	35.1
	<u>7,100</u>	<u>12,590</u>	<u>(5,490)</u>	

The Group recorded a revenue of RM77.17 million and profit before tax of RM7.10 million for the current financial year.



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The performance of the operating business segments is as follows:

### **Resins segment**

Revenue for the current financial year increased 39.3% to RM51.45 million from RM36.92 million in the last financial year mainly due to increase in average selling price.

Profit before tax of RM0.40 million was recorded compared to a loss before tax of RM0.56 million previously mainly due to margin improvement but was largely offset by lower sales volume. 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 current financial year decreased 34.0% to RM23.14 million from RM35.05 million in the last financial year mainly due to lower sales volume.

Profit before tax for ethanol segment decreased to RM4.54 million from RM10.71 million previously mainly due to lower revenue and higher raw material cost.

During the current financial year, we faced effluent water disposal issues to our current approved estate, leading to insufficient stock to sell as our production was halted. We are in the midst of getting the approval from the Department of Environment to dispose our effluent water to another estate. In the meantime, we are also importing certain class of denatured ethanol to support local demands.





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### Investment segment

Profit before tax of RM1.85 million was recorded as compared to RM1.97 million in the last financial year mainly due to lower interest income from other investments recorded in the current financial year.

### **B2. Comparison of results for the 4<sup>th</sup> Quarter of FY 2022 against immediate preceding 3<sup>rd</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	
	30/6/2022	31/3/2022	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue				
- Resin	13,615	13,173	442	3.4
- Ethanol	4,215	4,171	44	1.1
- Investment	682	152	530	>100
- Trading	48	-	48	N/A
- Others	193	179	14	7.8
	<u>18,753</u>	<u>17,675</u>	<u>1,078</u>	

	Quarter ended		Variance	
	30/6/2022	31/3/2022	RM'000	%
	RM'000	RM'000	RM'000	%
Profit/(Loss) before tax				
- Resin	1,183	76	1,107	>100
- Ethanol	437	522	(85)	(16.3)
- Investment	790	178	612	>100
- Trading	(9)	(30)	21	70.0
- Others	230	52	178	>100
	<u>2,631</u>	<u>798</u>	<u>1,833</u>	



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Revenue for the current quarter was RM18.75 million as compared to RM17.68 million in the immediate preceding quarter. Our resins segment's revenue increased by RM0.44 million due to increase in sales volume. Our investment segment's dividend income was higher in both quoted and unquoted investments.

Profit before tax for the current quarter was RM2.63 million as compared to RM0.80 million in the immediate preceding quarter mainly higher profit from the resins due to margin improvement and investment segment due to higher dividend income.

### **B3. Prospects**

Prospect for the financial year 2023 is expected to be challenging even though, economic recovery regained its momentum, borders reopened and business activities set to normalise. However, the Russia-Ukraine war heightened the inflationary environment, driving the cost of logistics, fertiliser and energy upwards compounded with the weakening of the ringgit. We the Board is confident that performance of the Group for the financial year ending 30 June 2023 will improve compared to the financial year just ended.

### **B4. Comparison with profit forecast**

This note is not applicable.

### **B5. Income tax**

Taxation comprises:



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	Quarter ended		Year ended	
	3 months		12 months	
	30/6/2022	30/6/2021	30/6/2022	30/6/2021
	RM'000	RM'000	RM'000	RM'000
Estimated current Malaysian taxation	373	235	1,493	2,851
Deferred taxation	(16)	(158)	(212)	(362)
	<u>357</u>	<u>77</u>	<u>1,281</u>	<u>2,489</u>
Over provision in prior years				
- income tax	(16)	47	(124)	41
- deferred tax	(48)	2	(48)	2
	<u>293</u>	<u>126</u>	<u>1,109</u>	<u>2,532</u>

The effective tax rate of the Group for the current quarter and 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):

	Quarter ended		Year ended	
	3 months		12 months	
	30/6/2022	30/6/2021	30/6/2022	30/6/2021
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	488	566	1,974	2,274
Bad debts written off	-	-	1	-
Expected credit loss allowance	27	(14)	29	203
Property, plant and equipment written off	-	4	2	4
Inventories written off	31	4	31	14
Inventories written back	-	(28)	-	(28)
Interest expense	2	3	33	5
Interest income	(53)	(392)	(803)	(1,676)
Net (gain) arising from financial assets designated as at FVTPL	(327)	(10)	(619)	(42)
Net unrealised (gain) on foreign exchange	(62)	3	(69)	(2)



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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 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.

#### **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 4.0 sen per share in respect of the financial year ended 30 June 2022 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 7.5 sen per share was paid for the last financial year ended 30 June 2021.
- (c) The date of payment of the recommended final dividend shall be determined by the Directors and announced at a later date.



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### B11. Earnings per share

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

	Quarter ended		Year ended	
	3 months		12 months	
	30/6/2022	30/6/2021	30/6/2022	30/6/2021
Net profit attributable to Owners of the Company(RM'000)	2,137	1,460	5,930	10,163
Weighted average number of ordinary shares	200,380,036	200,380,036	200,380,036	200,380,036
Basic/Diluted earning per share(sen)	1.1	0.7	3.0	5.1

### B12. Disclosure of realised and unrealised profits

	As at	As at
	30/06/2022	30/06/2021
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	98,703	107,920
- Unrealised	3,164	3,045
Total group retained profits as per consolidated accounts	101,867	110,965

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 August 2022.