



HEXZA CORPORATION BERHAD 196901000339 (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30 September 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 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 2022 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 2022:

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	Initial Application of MFRS 17 and MFRS 9 – Comparative Information
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



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Amendments to MFRS 101	Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates
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 2022 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 4.0 sen per share by the Board of Directors in respect of the financial year ended 30 June 2022 will be paid on 19 December 2022, subject to the approval by the shareholders at the forthcoming Annual General Meeting to be held on 26 November 2022.

A8. Segment revenue and segment result

Information on business segments for the financial period ended 30 September 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
REVENUE							
External sales	14,013	3,335	206	152	173	-	17,879
Inter-segment sales	-	44	-	-	-	(44)	-
Total revenue	14,013	3,379	206	152	173	(44)	17,879
RESULT							
Operating profit/(loss)	977	(369)	352	36	44	-	1,040
Interest expense							-
Interest income							16
Taxation							(229)
Profit after tax							827



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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 2022.

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 2023 compared with 1st Quarter of FY 2022

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	
	30/9/2022	30/9/2021	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue				
- Resin	14,013	11,880	2,133	18.0
- Ethanol	3,335	8,172	(4,837)	(59.2)
- Investment	206	102	104	>100
- Trading	152	76	76	100.0
- Others	173	153	20	13.1
	<u>17,879</u>	<u>20,383</u>	<u>(2,504)</u>	

	Quarter ended		Variance	
	30/9/2022	30/9/2021	RM'000	%
	RM'000	RM'000	RM'000	%
Profit/(Loss) before tax				
- Resin	979	(612)	1,591	>100
- Ethanol	(355)	2,027	(2,382)	(>100)
- Investment	352	223	129	57.8
- Trading	37	3	34	>100
- Others	43	38	5	13.2
	<u>1,056</u>	<u>1,679</u>	<u>(623)</u>	

The Group recorded a revenue of RM17.88 million and profit before tax of RM1.06 million in the current quarter under review.

The performance of the operating business segments is as follows:

Resins segment

Revenue for the quarter increased 18.0% to RM14.01 million from RM11.88 million in the corresponding quarter last year mainly due to increase in average selling price, an adjustment to the increase in major raw material prices.



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Profit before tax of RM0.98 million was recorded for the current quarter under review as compared to a loss before tax of RM0.61 million primarily due to margin improvement. Although we have been able to raise the selling price of our resin, the increase is not in line with the increase in major raw material prices due to stiff competition in the resins industry.

Ethanol segment

Revenue of RM3.33 million was recorded in the quarter under review as compared to RM8.17 million in the corresponding quarter last year mainly due to lower sales volume as 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.

Loss before tax of RM0.35 million was recorded in the quarter under review as compared to profit before tax RM2.03 million in the corresponding quarter last year mainly due to lower revenue.

Investment segment

Profit before tax increased RM0.13 million to RM0.35 million from RM0.22 million mainly due to both higher dividend income from quoted shares and interest income from money market funds.



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B2. Comparison of results for the 1st Quarter of FY 2023 against immediate preceding 4th 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	
	30/9/2022	30/6/2022	RM'000	%
	RM'000	RM'000		
Revenue				
- Resin	14,013	13,615	398	2.9
- Ethanol	3,335	4,215	(880)	(20.9)
- Investment	206	682	(476)	(69.8)
- Trading	152	48	104	>100
- Others	173	193	(20)	(10.4)
	<u>17,879</u>	<u>18,753</u>	<u>(874)</u>	

	Quarter ended		Variance	
	30/9/2022	30/6/2022	RM'000	%
	RM'000	RM'000		
Profit/(Loss) before tax				
- Resin	979	1,183	(204)	(17.2)
- Ethanol	(355)	437	(792)	(>100)
- Investment	352	790	(438)	(55.4)
- Trading	37	(9)	46	>100
- Others	43	230	(187)	(81.3)
	<u>1,056</u>	<u>2,631</u>	<u>(1,575)</u>	

Revenue for the quarter under review decreased 4.7% to RM17.88 million from RM18.75 million in the immediate preceding quarter. Our resins segment's revenue increased by RM0.40 million due to increase in sales volume. Our ethanol segment's revenue decreased by RM0.88 million due to lower average selling price due to product mix, and also lower sales volume.



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Profit before tax for the quarter under review was RM1.06 million as compared to RM2.63 million in the immediate preceding quarter. Our ethanol segment's recorded a loss before tax of RM0.35 million due to lower revenue. Our investment segment's posted a lower profit before tax due to lower dividend income from both quoted and unquoted investment in the current quarter under review.

B3. Prospects

Our ethanol segment is expected to show an improvement in profit for the financial year ending 30 June 2023. However, our resin segment is expected to contribute a small profit in light of the volatile raw material prices and stiff competition.

B4. Comparison with profit forecast

This note is not applicable.

B5. Income tax

Taxation comprises:

	Quarter ended 3 months		Period ended 3 months	
	30/9/2022	30/9/2021	30/9/2022	30/9/2021
	RM'000	RM'000	RM'000	RM'000
Estimated current Malaysian taxation	237	464	237	464
Deferred taxation	(8)	(88)	(8)	(88)
	<u>229</u>	<u>376</u>	<u>229</u>	<u>376</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	
	30/9/2022	30/9/2021	30/9/2022	30/9/2021
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	514	509	514	509
Expected credit loss allowance no longer required	(1)	(9)	(1)	(9)
Property, plant and equipment written off	-	2	-	2
Interest expense	-	3	-	3
Interest income	(16)	(394)	(16)	(394)
Net (gain) arising from financial assets designated as at FVTPL	(388)	(10)	(388)	(10)
Net unrealised (gain) on foreign exchange	(45)	(2)	(45)	(2)

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

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 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	
	30/9/2022	30/9/2021	30/9/2022	30/9/2021
Net profit attributable to Owners of the Company(RM'000)	677	1,417	677	1,417
Weighted average number of ordinary shares	200,380,036	200,380,036	200,380,036	200,380,036
Basic/Diluted earning per share(sen)	0.3	0.7	0.3	0.7



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B12. Disclosure of realised and unrealised profits

	As at 30/09/2022 RM'000	As at 30/06/2022 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	99,448	98,703
- Unrealised	3,096	3,164
Total group retained profits as per consolidated accounts	<u>102,544</u>	<u>101,867</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 November 2022.