



**Interim Report on Consolidated Results for the Second Quarter ended 31 December 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
Amendments to MFRS 101	Disclosure of Accounting Policies



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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**

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 were approved by the shareholders at the 53<sup>rd</sup> Annual General Meeting on 26 November 2022. The dividend amounting to RM8.015 million was paid on 19 December 2022.

**A8. Segment revenue and segment result**

Information on business segments for the financial period ended 31 December 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	21,410	8,489	811	325	266	-	31,301
Inter-segment sales	-	107	-	-	-	(107)	-
Total revenue	21,410	8,596	811	325	266	(107)	31,301
<b>RESULT</b>							
Operating profit	484	773	1,109	42	41	-	2,449
Interest expense							-
Interest income							40
Taxation							(302)
Profit after tax							2,187

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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 2022 save as below:

As at 23 February 2023, the aggregate value of our investment portfolio was RM27.82 million higher as compared to the reported value as at 31 December 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.

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

(a) Hexza World Trade 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 2023 compared with 2<sup>nd</sup> Quarter of FY 2022**

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

	Quarter ended		Variance	
	31/12/2022	31/12/2021	RM'000	%
Revenue				
- Resin	7,397	12,784	(5,387)	(42.1)
- Ethanol	5,154	6,579	(1,425)	(21.7)
- Investment	605	577	28	4.9
- Trading	173	266	(93)	(35.0)
- Others	93	152	(59)	(38.8)
	13,422	20,358	(6,936)	

	Quarter ended		Variance	
	31/12/2022	31/12/2021	RM'000	%
Profit/(Loss) before tax				
- Resin	(486)	(245)	(241)	(98.4)
- Ethanol	1,159	1,554	(395)	(25.4)
- Investment	758	661	97	14.7
- Trading	5	(11)	16	NA
- Others	(3)	33	(36)	>(100)
	1,433	1,992	(559)	

The Group recorded a revenue of RM13.42 million and profit before tax of RM1.43 million in the current quarter under review.



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The performance of the operating business segments is as follows:

**Resins segment**

Revenue for the quarter decreased 42.1% to RM7.40 million from RM12.78 million in the corresponding quarter last year mainly due to lower sales volume by 42.7%.

Loss before tax of RM0.49 million was recorded for the current quarter under review as compared to a loss before tax of RM0.25 million mainly due to lower sales volume.

**Ethanol segment**

Revenue of RM5.15 million was recorded in the quarter under review as compared to RM6.58 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 and since be normalised.

Profit before tax of RM1.16 million was recorded in the current quarter as compared to RM1.55 million in the corresponding quarter last year mainly due to lower revenue.

**Investment segment**

Profit before tax increased RM0.10 million to RM0.76 million from RM0.66 million mainly due to both higher dividend income from quoted shares and interest income from money market funds.



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**(b) Current year-to-date compared with year-to-date of FY 2022**

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

	6 months ended		Variance	
	31/12/2022	31/12/2021	RM'000	%
Revenue				
- Resin	21,410	24,664	(3,254)	(13.2)
- Ethanol	8,489	14,751	(6,262)	(42.5)
- Investment	811	679	132	19.4
- Trading	325	342	(17)	(5.0)
- Others	266	305	(39)	(12.8)
	<u>31,301</u>	<u>40,741</u>	<u>(9,440)</u>	

	6 months ended		Variance	
	31/12/2022	31/12/2021	RM'000	%
Profit/(Loss) before tax				
- Resin	493	(857)	1,350	>100
- Ethanol	804	3,581	(2,777)	(77.5)
- Investment	1,110	884	226	25.6
- Trading	42	(8)	50	NA
- Others	40	71	(31)	(43.7)
	<u>2,489</u>	<u>3,671</u>	<u>(1,182)</u>	

The Group recorded a revenue of RM31.30 million and profit before tax of RM2.49 million for the current period.

The performance of the operating business segments is as follows:

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**Resins segment**

Revenue for the period decreased 13.2% to RM21.41 million from RM24.66 million in the corresponding period last year mainly due to lower sales volume by 27.8% but this was mitigated by increase in average selling price.

Profit before tax of RM0.49 million was recorded compared to a loss before tax of RM0.86 million previously mainly due margin improvement.

**Ethanol segment**

Revenue for the period decreased to RM8.49 million from RM14.75 million in the corresponding period last year mainly due to lower sales volume as explained in note B1(a).

Profit before tax for ethanol segment decreased to RM0.80 million from RM3.58 million previously mainly due to lower revenue.

**Investment segment**

Profit before tax of RM1.11 million was recorded as compared to RM0.88 million in the corresponding period last year mainly due to both higher dividend income from quoted shares and interest income from money market funds in the current period.

**B2. Comparison of results for the 2<sup>nd</sup> Quarter of FY 2023 against immediate preceding 1<sup>st</sup> Quarter of FY 2023**

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





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

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	Quarter ended		Variance	
	31/12/2022	30/9/2022	RM'000	%
Revenue				
- Resin	7,397	14,013	(6,616)	(47.2)
- Ethanol	5,154	3,335	1,819	54.5
- Investment	605	206	399	>100
- Trading	173	152	21	13.8
- Others	93	173	(80)	(46.2)
	<u>13,422</u>	<u>17,879</u>	<u>(4,457)</u>	

	Quarter ended		Variance	
	31/12/2022	30/9/2022	RM'000	%
Profit/(Loss) before tax				
- Resin	(486)	979	(1,465)	>(100)
- Ethanol	1,159	(355)	1,514	NA
- Investment	758	352	406	>100
- Trading	5	37	(32)	(86.5)
- Others	(3)	43	(46)	>(100)
	<u>1,433</u>	<u>1,056</u>	<u>377</u>	

Revenue for the quarter under review decreased 24.9% to RM13.42 million from RM17.88 million in the immediate preceding quarter. Our ethanol segment's revenue increased mainly due to higher average selling price due to product mix, and also higher sales volume whereas our resins segment's revenue decreased mainly due to lower sales volume by 42.0%.

Profit before tax for the quarter under review was RM1.43 million as compared to RM1.06 million in the immediate preceding quarter. Our ethanol segment's recorded a profit before tax of RM1.16 million due to higher revenue. Our resins segment resulted in a loss before tax of RM0.49 million mainly due to lower sales volume coupled with margin compression. Our investment segment's posted a higher profit before tax mainly due to both higher dividend income from quoted shares and interest income from money market funds in the quarter under review.

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**B3. Prospects**

Our ethanol segment is expected to show better profit before tax for the financial year ending 30 June 2023 as we are able to normalize our production. The business and operating environment in the current financial year will remain challenging and competitive for our resins segment.

**B4. Comparison with profit forecast**

This note is not applicable.

**B5. Income tax**

Taxation comprises

	Quarter ended		Period ended	
	3 months		6 months	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Estimated current Malaysian taxation	174	507	411	971
Deferred taxation	(101)	(68)	(109)	(156)
	<u>73</u>	<u>439</u>	<u>302</u>	<u>815</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		6 months	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	510	489	1,024	998
Bad debts written off	-	1	-	1
Expected credit loss allowance	-	2	-	2
Expected credit loss allowance no longer required	(7)	-	(8)	(9)
Property, plant and equipment written off	-	-	-	2
Interest expense	-	20	-	23
Interest income	(24)	(365)	(40)	(759)
Net (gain) arising from financial assets designated as at FVTPL	(485)	(10)	(873)	(20)
Net unrealised loss/(gain) on foreign exchange	34	2	(11)	-

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		Period ended	
	3 months		6 months	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Net profit attributable to Owners of the Company(RM'000)	1,432	1,598	2,109	3,015
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	0.8	1.1	1.5

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

	As at 31/12/2022 RM'000	As at 30/06/2022 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	92,817	98,703
- Unrealised	3,144	3,164
Total group retained profits as per consolidated accounts	95,961	101,867



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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 24 February 2023.