



## HEXZA CORPORATION BERHAD 196901000339 (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30 September 2023

### 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 2023 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 2023:

MFRS 17	Insurance Contracts
Amendments to MFRS 107 and MFRS 7	Supplier Finance Arrangements
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 16	Lease Liability in a Sale and Leaseback
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 101	Non-current Liabilities with Covenants
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 112	International Tax Reform - Pillar Two Model Rules

**A2. Audit report**

The audit report for the financial year ended 30 June 2023 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 5.0 sen per share by the Board of Directors in respect of the financial year ended 30 June 2023 will be paid on 19 December 2023, subject to the approval by the shareholders at the forthcoming Annual General Meeting to be held on 25 November 2023.

**A8. Segment revenue and segment result**

Information on business segments for the financial period ended 30 September 2023 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	6,673	5,145	534	-	125	-	12,477
Inter-segment sales	-	-	-	-	-	-	-
Total revenue	6,673	5,145	534	-	125	-	12,477
<b>RESULT</b>							
Operating profit/(loss)	(288)	1,101	517	2	36	-	1,368
Interest expense							(2)
Interest income							34
Taxation							(258)
Profit after tax							1,142



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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 2023 except the following:

- 1) On 11 October 2023, the Company has disposed a total of 10,000 ordinary shares in NVIDIA for total cash consideration of RM21.81 million in open market on Nasdaq Stock Market. The gain on the disposal as compared to the average cost was RM17.85 million.
- 2) On 11 October 2023, the Company has acquired an aggregate of 185,000 ordinary shares of SYMBOTIC Inc (“Symbotic”) for a total gross cash consideration of RM36.72 million in open market on Nasdaq Stock Market.
- 3) As at 23 November 2023, the aggregate value of the investment portfolio was RM51.23 million higher as compared to the reported value as at 30 September 2023.

### **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.



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**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**

**1<sup>st</sup> Quarter of FY 2024 compared with 1<sup>st</sup> Quarter of FY 2023**

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

	Quarter ended		Variance	
	30/9/2023	30/9/2022	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue				
- Resin	6,673	14,013	(7,340)	(52.4)
- Ethanol	5,145	3,335	1,810	54.3
- Investment	534	206	328	>100
- Trading	-	152	(152)	(100.0)
- Others	125	173	(48)	(27.7)
	<u>12,477</u>	<u>17,879</u>	<u>(5,402)</u>	



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	Quarter ended		Variance	
	30/9/2023	30/9/2022	RM'000	%
Profit/(Loss) before tax				
- Resin	(259)	979	(1,238)	>(100)
- Ethanol	1,104	(355)	1,459	NA
- Investment	517	352	165	46.9
- Trading	1	37	(36)	(97.3)
- Others	37	43	(6)	(14.0)
	<u>1,400</u>	<u>1,056</u>	<u>344</u>	

The Group recorded a revenue of RM12.48 million and profit before tax of RM1.40 million in the current quarter under review.

The performance of the operating business segments is as follows:

**Resins segment**

Revenue for the quarter increased 52.4% to RM6.73 million from RM14.01 million in the corresponding quarter last year mainly due to drop in both average selling price and sales volume.

Loss before tax of RM0.26 million was recorded for the current quarter under review mainly due to margin compression and lower demand due to soft plywood market caused by increased supply from China, Indonesia and Vietnam and weak Japanese domestic demand.



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### **Ethanol segment**

Revenue of RM5.14 million was recorded in the quarter under review as compared to RM3.33 million in the corresponding quarter last year mainly due to higher sales volume from normalized production, in the previous corresponding period we faced effluent water disposal issues to our current approved estate, causing disruption in production resulting to insufficient stock for sale.

Profit before tax of RM1.10 million was recorded in the quarter under review as compared to loss before tax RM0.35 million in the corresponding quarter last year mainly due to higher revenue.

### **Investment segment**

Profit before tax increased RM0.17 million to RM0.52 million from RM0.35 million mainly due to both higher dividend income from quoted shares.

## **B2. Comparison of results for the 1<sup>st</sup> Quarter of FY 2024 against immediate preceding 4<sup>th</sup> Quarter of FY 2023**

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



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	Quarter ended		Variance	
	30/9/2023	30/6/2023	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue				
- Resin	6,673	6,075	598	9.8
- Ethanol	5,145	5,501	(356)	(6.5)
- Investment	534	538	(4)	(0.7)
- Trading	-	-	-	-
- Others	125	128	(3)	(2.3)
	<u>12,477</u>	<u>12,242</u>	<u>235</u>	

	Quarter ended		Variance	
	30/9/2023	30/6/2023	RM'000	%
	RM'000	RM'000	RM'000	%
Profit/(Loss) before tax				
- Resin	(259)	(693)	434	62.6
- Ethanol	1,104	1,808	(704)	(38.9)
- Investment	517	708	(191)	(27.0)
- Trading	1	23	(22)	(95.7)
- Others	37	48	(11)	(22.9)
	<u>1,400</u>	<u>1,894</u>	<u>(494)</u>	

Revenue for the quarter under review decrease slightly by RM0.24 to RM12.48 million from RM12.24 million in the immediate preceding quarter. Our resins segment's revenue increased by RM0.60 million due to increase in sales volume. Our ethanol segment's revenue decreased by RM0.36 million due to lower average selling price due to product mix.

Profit before tax for the quarter under review was RM1.40 million as compared to RM1.89 million in the immediate preceding quarter. Our ethanol segment's recorded a lower profit before tax of RM0.1.10 million due to lower average selling price. Our investment segment's posted a lower profit before tax due to lower interest income from money market funds.





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**B3. Prospects**

The Group is expected to show a similar profit compared to the previous year. Our ethanol segment is projected to show an improvement in profit for the financial year ending 30 June 2024. However, our resin segment is expected to break even or incur small loss due to 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	
	30/9/2023	30/9/2022	30/9/2023	30/9/2022
	RM'000	RM'000	RM'000	RM'000
Estimated current Malaysian taxation	327	237	327	237
Deferred taxation	(69)	(8)	(69)	(8)
	<u>258</u>	<u>229</u>	<u>258</u>	<u>229</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		3 months	
	30/9/2023	30/9/2022	30/9/2023	30/9/2022
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	529	514	529	514
Expected credit loss allowance	-	(1)	-	(1)
Interest expense	2	-	2	-
Interest income	(34)	(16)	(34)	(16)
Net (gain) arising from financial assets designated as at FVTPL	(419)	(388)	(419)	(388)
Net unrealised (gain) on foreign exchange	-	(45)	-	(45)

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.

**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.



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#### 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	
	30/9/2023	30/9/2022	30/9/2023	30/9/2022
Net profit attributable to Owners of the Company(RM'000)	1,192	677	1,192	677
Weighted average number of ordinary shares	200,380,036	200,380,036	200,380,036	200,380,036
Basic/Diluted earning per share(sen)	0.6	0.3	0.6	0.3

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

	As at 30/09/2023 RM'000	As at 30/06/2023 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	124,488	93,323
- Unrealised	3,125	3,165
Total group retained profits as per consolidated accounts	127,613	96,489



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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 November 2023.