



HEXZA CORPORATION BERHAD 196901000339 (8705-K)

Interim Report on Consolidated Results for the Third Quarter ended 31 March 2024

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 adoption of the new Malaysian Financial Reporting Standards (“MFRS”), Amendments to MFRS and IC Interpretations (“IC Int.”) as follow:

MFRS 17	Insurance Contracts
Amendments to MFRS10 And MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback
Amendments to MFRS 17	Initial application and MFRS 9 – Comparative Information
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current
Amendments to MFRS 101	Non-current Liabilities with Covenants
Amendments to MFRS 107 and MFRS 7	Supplier Finance Arrangements
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction



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Amendments to MFRS 112 International Tax Reform - Pillar
Two Model Rules
Amendments to MFRS 121 Lack of Exchangeability

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 period save for RM77.55 million being the fair value gain in equity instruments designated as 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 period to date.

A7. Dividend paid

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 were approved by the shareholders at the 54th Annual General Meeting on 25 November 2023. The dividend amounting to RM10.019 million was paid on 19 December 2023.

A8. Segment revenue and segment result

Information on business segments for the financial period ended 31 March 2024 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	20,047	18,511	1,475	20	505	-	40,558
Inter-segment sales	-	91	-	-	-	(91)	-
Total revenue	20,047	18,602	1,475	20	505	(91)	40,558
RESULT							
Operating profit/(loss)	(598)	4,404	1,345	1	176	-	5,328
Interest expense							-
Interest income							134
Taxation							(1,052)
Profit after tax							4,410



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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 March 2024 save for the below the aggregate fair value of the Group's investment portfolio as at 20 May 2024 was RM11.25 million higher compared to the reported fair value as at 31 March 2024.

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.

A12. Capital commitments

The capital commitments as at the end of the reporting date are as follows:

	RM'000
Property, plant and equipment	
- Approved and contracted for	<u>11,306</u>



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

B1. Review of performance

(a) 3rd Quarter of FY 2024 compared with 3rd 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	
	31/3/2024	31/3/2023	RM'000	%
Revenue				
- Resin	6,226	8,406	(2,180)	(25.9)
- Ethanol	7,390	7,157	233	3.3
- Investment	568	526	42	8.0
- Trading	2	198	(196)	(99.0)
- Others	203	181	22	12.2
	<u>14,389</u>	<u>16,468</u>	<u>(2,079)</u>	

	Quarter Ended		Variance	
	31/3/2024	31/3/2023	RM'000	%
Profit/(Loss) before tax				
- Resin	(162)	(386)	224	58.0
- Ethanol	1,939	2,336	(397)	(17.0)
- Investment	272	683	(411)	(60.2)
- Trading	(7)	32	(39)	>(100)
- Others	71	29	42	>100
	<u>2,113</u>	<u>2,694</u>	<u>(581)</u>	

The Group recorded a revenue of RM14.39 million and profit before tax of RM2.11 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 25.9% to RM6.23 million from RM8.41 million in the corresponding quarter last year was attributed to decrease in average selling price (-9.2%) and sales volume (-19.5%).

The lower loss before tax of RM0.16 million for the current quarter was mainly attributed to improvement in gross contribution margin due to lower raw material cost.

Ethanol segment

Revenue of RM7.39 million was slightly higher in the current quarter as compared to RM7.16 million in the corresponding quarter last year was mainly due to higher sales volume of 16.1%, however was partly off-set by 11.6% reduction in average selling price.

Profit before tax of RM1.94 million for the current quarter was lower than RM2.34 million in the corresponding quarter last year. This was mainly attributed to lower gross contribution margin.

Investment segment

Profit before tax decreased RM0.41 million to RM0.27 million from RM0.68 million was attributed to higher operating expenditures and lower gain on financial assets fair value through profit and loss.



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(b) Current year-to-date compared with year-to-date of FY 2023

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

	9 months ended		Variance	
	31/3/2024	31/3/2023	RM'000	%
Revenue				
- Resin	20,047	29,816	(9,769)	(32.8)
- Ethanol	18,511	15,646	2,865	18.3
- Investment	1,475	1,337	138	10.3
- Trading	20	523	(503)	(96.2)
- Others	505	447	58	13.0
	<u>40,558</u>	<u>47,769</u>	<u>(7,211)</u>	

	9 months ended		Variance	
	31/3/2024	31/3/2023	RM'000	%
Profit/(Loss) before tax				
- Resin	(517)	107	(624)	>(100)
- Ethanol	4,425	3,140	1,285	40.9
- Investment	1,377	1,792	(415)	(23.2)
- Trading	1	73	(72)	(98.6)
- Others	176	71	105	>100
	<u>5,462</u>	<u>5,183</u>	<u>279</u>	

The Group recorded a revenue of RM40.56 million and profit before tax of RM5.46 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 32.8% to RM20.05 million from RM29.82 million in the corresponding quarter last year was mainly attributed to decrease in average selling price (-19.8%) and sales volume (-16.2%).

Loss before tax of RM0.52 million was recorded for the current period under review as compared to profit before tax of RM0.11 million was mainly attributed to decline in sales volume.

Ethanol segment

Revenue of RM18.51 million was recorded in the period under review as compared to RM15.65 million in the corresponding period last year was mainly attributed to higher sales volume (+36.5%).

Profit before tax of RM4.43 million was recorded in the period under review as compared to profit before tax of RM3.14 million in the corresponding period last year was attributed to higher sales volume and slight improvement in gross contribution margin.

Investment segment

Profit before tax decreased RM0.42 million to RM1.38 million from RM1.79 million was mainly attributed to higher operating expenditures and lower gain on financial assets fair value through profit and loss.



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B2. Comparison of results for the 3rd Quarter of FY 2024 against immediate preceding 2nd Quarter of FY 2024

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

	Quarter Ended		Variance	
	31/3/2024	31/12/2023	RM'000	%
Revenue				
- Resin	6,226	7,148	(922)	(12.9)
- Ethanol	7,390	5,976	1,414	23.7
- Investment	568	373	195	52.3
- Trading	2	18	(16)	(88.9)
- Others	203	177	26	14.7
	<u>14,389</u>	<u>13,692</u>	<u>697</u>	

	Quarter Ended		Variance	
	31/3/2024	31/12/2023	RM'000	%
Profit/(Loss) before tax				
- Resin	(162)	(96)	(66)	(68.8)
- Ethanol	1,939	1,382	557	40.3
- Investment	272	588	(316)	(53.7)
- Trading	(7)	7	(14)	>(100)
- Others	71	68	3	4.4
	<u>2,113</u>	<u>1,949</u>	<u>164</u>	

Revenue for the quarter under review increased slightly by RM0.70 million to RM14.39 million from RM13.69 million in the immediate preceding quarter. Our resins segment's revenue decreased by RM0.92 million which was due to lower sales volume and lower average selling price while the ethanol



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segment's revenue increased by RM1.41 million which was attributed to higher sales volume and slight improvement in average selling price.

Profit before tax for the quarter under review was RM2.11 million as compared to RM1.95 million in the immediate preceding quarter. The increase was mainly attributed to higher sales volume and slight improvement in average selling price from ethanol segment.

B3. Prospects

The sales of ethanol is improving and will continue to increase in revenue and profit as costs has remained stable for the financial year ending 30th June 2024.

The business environment for resin segment remains challenging and is expected to incur a slight loss.

The Group's overall performance will improve given that the improvement from ethanol segment.

B4. Comparison with profit forecast

Not applicable as there was no profit forecast issued.



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B5. Income tax

Taxation comprises:

	Quarter Ended 3 months		Period Ended 9 months	
	31/3/2024 RM'000	31/3/2023 RM'000	31/3/2024 RM'000	31/3/2023 RM'000
Estimated current Malaysian taxatio	540	618	1,252	1,029
Deferred taxation	(80)	(104)	(200)	(213)
	<u>460</u>	<u>514</u>	<u>1,052</u>	<u>816</u>
Over provision in prior years - income tax	-	(48)	-	(48)
	<u>460</u>	<u>466</u>	<u>1,052</u>	<u>768</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):

	Quarter Ended 3 months		Period Ended 9 months	
	31/3/2024 RM'000	31/3/2023 RM'000	31/3/2024 RM'000	31/3/2023 RM'000
Depreciation and amortisation	524	503	1,580	1,527
Expected credit loss allowance	-	-	-	13
Expected credit loss allowance no longer required	-	8	-	-
Interest expense	-	4	-	4
Interest income	(69)	(61)	(134)	(101)
Net gain arising from financial assets designated as at FVTPL	(205)	(492)	(1,003)	(1,365)
Net unrealised loss/(gain) on foreign exchange	9	(7)	3	(18)

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



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of assets, gain or loss on derivatives and exceptional items for the current quarter.

B7. Status of corporate proposals

On 30 January 2024, the Company has obtained mandate from shareholders via Extraordinary General Meeting for the disposal of 20,000 units of Nvidia Corporation shares listed on NASDAQ as and when deem fit. There is no disposal 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 under review.



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B11. Earnings per share

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

	Quarter Ended 3 months		Period Ended 9 months	
	31/3/2024 RM'000	31/3/2023 RM'000	31/3/2024 RM'000	31/3/2023 RM'000
Net profit attributable to Owners of the Company (RM'000)	1,684	2,289	4,510	4,398
Weighted average number of ordinary shares	200,380,036	200,380,036	200,380,036	200,380,036
Basic/Diluted earning per share (sen)	0.8	1.1	2.2	2.2

B12. Disclosure of realised and unrealised profits

	As at 31/3/2024 RM'000	As at 31/3/2023 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	138,890	93,694
- Unrealised	3,148	3,169
Total group retained profits as per consolidated accounts	142,038	96,863

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.



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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 21 May 2024.