

HEXZA CORPORATION BERHAD (8705-K)



Interim Report on Consolidated Results for the Financial Quarter ended 30th June 2008

A NOTES TO THE INTERIM FINANCIAL REPORT

A1. Accounting policies and method of computation

The interim financial report has been prepared in accordance with Financial Reporting Standard (FRS) 134 “Interim Financial Reporting” and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements of the Group for the financial period ended 30th June 2007.

The quarterly financial statements under review have been prepared based on the same accounting policies and methods of computation as compared with those adopted for the financial statements for the financial period ended 30th June 2007 except for the adoption of the new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 July 2007:-

- 1) FRS 107 – Cash Flow Statements
- 2) FRS 112 – Income Taxes
- 3) FRS 117 – Leases
- 4) FRS 118 – Revenue
- 5) FRS 119 – Employee Benefits
- 6) FRS 124 – Related Party Disclosures
- 7) FRS 134 – Interim Financial Reporting
- 8) FRS 137 – Provisions, Contingent Liabilities and Contingent Assets

The adoption of the above FRSs do not have significant financial impact on the Group except for the adoption of FRS 117 as follows:-

Prior to 1 July 2007, leasehold land held for own use was classified as Property, Plant and Equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in accounting policy in respect of the classification of leases of land and buildings. Leasehold land held for own use is now classified as operating lease and the unamortised amount of leasehold land is accounted for as Prepaid Lease Payments and to be amortised on a straight line basis over the remaining lease term.

The adoption of new and revised FRS 117 has resulted in the restatement of the comparative amounts as follows:-

	As previously <u>reported</u> RM'000	Effect of adopting <u>FRS 117</u> RM'000	<u>As restated</u> RM'000
<u>As at 30th June 2007</u>			
Property, Plant and Equipment	73,911	(8,416)	65,495
Prepaid Lease Payments	-	8,416	8,416

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A2. Seasonal or cyclical factors

There are no seasonal or cyclical factors affecting the results for the quarter.

A3. 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.

A4. Changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years

There were no changes in the amount of estimates reported previously that have a material effect in the current quarter.

A5. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

During the year ended 30th June 2008, the issued and paid-up capital of the Company was increased from RM65,200,345 to RM66,000,845 by way of issue of 1,601,000 ordinary shares of RM0.50 each pursuant to the exercise of options granted under the Executive Share Option Scheme (ESOS). There was an additional 2,223,000 options granted and accepted pursuant to the ESOS during the current financial year.

Other than the above, there are no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial period to date.

A6. Dividend paid

	Financial period ended 30 June 2007 RM	Financial year ended 31 January 2006 RM
First and final dividend paid: 5.5% less tax and a special dividend of 2%, tax exempt (2006: 4.0% less tax)	4,000,486	1,850,253
Date of payment	30 th November'07	30 th August'06

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A7. Segment revenue and segment result

Information on business segments for the financial year ended 30th June 2008 is as follows:-

	Manufacturing RM'000	Investment RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE					
External sales	168,677	2,093	6,294	-	177,064
Inter-segment sales	3,424	7,029	-	(10,453)	-
Total revenue	172,101	9,122	6,294	(10,453)	177,064
RESULT					
Operating profit	21,661	12,409	827	(8,150)	26,747
Interest expense					(230)
Interest income					1,362
Income tax expense					(4,717)
Profit after taxation					23,162

A8. 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 statement for the quarter ended 30th June 2008.

A9. Change in composition of the Group

There are no changes in the composition of the Group for the current financial year to date including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

A10. Contingent liabilities or contingent assets

There is no change in contingent liabilities or contingent assets since the last annual balance sheet date 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

The Group reported a higher profit before tax of RM27.88 million for the year ended 30th June 2008 as compared to the profit of RM27.56 million for the seventeen months in the last financial period.

B2. Comparison with immediate preceding quarter's results

Revenue of RM49.86 million for the fourth quarter ended 30th June 2008 has improved by 11.8% against RM44.62 million in the third quarter. Profit before tax at RM6.42 million is, however lower as compared to RM7.52 million previously. The profit is lower mainly due to the increase in major raw material prices and higher operating expenses.

B3. Prospects

The Board is of the opinion that the performance of the Group for the next financial year will be comparable to the financial year ended 30th June 2008.

B4. Comparison with profit forecast

This note is not applicable.

B5. Income Tax

Taxation comprises:-

	Current quarter ended 30/06/2008	Current year to date 30/06/2008
	RM'000	RM'000
Estimated current Malaysian taxation	1,359	5,178
Deferred taxation	(376)	(405)
	<u>983</u>	<u>4,773</u>
Under/(over) provision in prior years		
- RPGT	-	7
- income tax	73	72
- deferred tax	(135)	(135)
	<u>921</u>	<u>4,717</u>

The effective tax rate of the Group for the year to date is lower than the statutory income tax rate mainly due to the availability of unabsorbed business losses and unutilised reinvestment allowances.

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B6. Sale of unquoted investments and/or properties

There is no sale of unquoted investment or properties for the year under review.

B7. Purchase or disposal of quoted securities

(a)

	Current quarter ended 30/06/2008 RM'000	Current year to date 30/06/2008 RM'000
Total purchase consideration	<u>96</u>	<u>113</u>
Total sale proceeds	<u>-</u>	<u>9,380</u>
Gain on disposal	<u>-</u>	<u>2,966</u>

(b) Investments in quoted securities as at 30th June 2008 are as follows:-

	RM'000
(i) Total investments at cost	8,392
(ii) Total investment at carrying value	8,302
(iii) Total investments at market value	8,303

B8. Status of Corporate proposals

There are no corporate proposals announced before the date of this report.

B9. Group borrowings and debt securities

Group borrowings as at 30th June 2008 consist of the following:

	RM'000
Term loan	1,188
Less: Amount due within 12 months	<u>(1,188)</u>
Non-current portion	<u>-</u>

The term loan is denominated in Ringgit Malaysia and the Group has no debt securities as at 30th June 2008.



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B10. Off balance sheet financial instruments

There is no financial instrument with off balance sheet risk as at the date of this report that might materially affect the position or business of the Group.

B11. Changes in material litigation

There were no changes in material litigation since the last annual balance sheet date.

B12. Dividend

- (a) (i) A first and final dividend for the financial year ended 30th June 2008 has been recommended by the Directors which is subject to the approval of the shareholders at the forthcoming Annual General Meeting.
 - (ii) The final dividend for the financial year ended 30th June 2008 is 3.0 sen per ordinary share of 50 sen each comprising dividend of 4%, less tax and a tax exempt dividend of 3%.
 - (iii) The final dividend paid for the previous financial period ended 30th June 2007 was 5.5%, less 26% tax and a tax exempt dividend of 2%.
 - (iv) The date of payment of the recommended final dividend shall be determined by the Directors and announced at a later date.
- (b) The total dividend for the current financial year ended 30th June 2008 is 3.0 sen per share comprising dividend of 4%, less tax and a tax exempt dividend of 3%.

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B13. Earnings per share

The basic and diluted earnings per ordinary share of RM0.50 each are calculated as follows:

	Current quarter ended 30/06/2008	Current year to date 30/06/2008
Net profit attributable to ordinary shareholders (RM'000)	<u>5,280</u>	<u>22,061</u>
Weighted average number of ordinary shares of RM0.50 each	131,821,024	131,516,858
Basic earnings per ordinary share of RM0.50 each (sen)	<u>4.0</u>	<u>16.8</u>
Diluted earnings per share		
Weighted average number of ordinary shares of RM0.50 each	131,821,024	131,516,858
Adjustment for share options	<u>466,764</u>	<u>841,383</u>
Adjusted weighted average number of ordinary shares for diluted earnings per ordinary share of RM0.50 each	<u>132,287,788</u>	<u>132,358,241</u>
Diluted earnings per ordinary share of RM0.50 each (sen)	<u>4.0</u>	<u>16.7</u>

By Order of the Board,

Ms CHONG YOKE SENG
COMPANY SECRETARY

29 August 2008