



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

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 year ended 30th June 2008.

A2. Seasonal or cyclical factors

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

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 quarter ended 30th September 2008, the issued and paid-up capital of the Company was increased from RM66,000,845 to RM66,070,345 by way of issue of 139,000 ordinary shares of RM0.50 each pursuant to the exercise of options granted under the Executive Share Option Scheme (ESOS).

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.

HEXZA CORPORATION BERHAD (8705-K)



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

A6. Dividend paid

There was no dividend paid during the quarter under review. However, the Company had proposed for a final dividend of 4% less tax plus 3% tax-exempt in respect of the financial year ended 30th June 2008, subject to the approval of the shareholders at the forthcoming Annual General Meeting which will be held on 22nd November 2008.

A7. Segment revenue and segment result

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

	Manufacturing RM'000	Investment RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE					
External sales	59,282	61	1,790	-	61,133
Inter-segment sales	963	-	-	(963)	-
Total revenue	60,245	61	1,790	(963)	61,133
RESULT					
Operating profit	8,224	(464)	368	-	8,128
Interest expense					(40)
Interest income					420
Income tax expense					(1,705)
Profit after taxation					6,803

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 September 2008.

A9. 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.



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

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.

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

B1. Review of performance

- (i) Group revenue for the first quarter compared to the previous first quarter increased by 37.6% from RM44.42 million to RM61.13 million due to higher sales volume from all core divisions.
- (ii) Although Group profit before tax was higher at RM8.51 million compared to RM8.10 million previously, the improvement of 5.1% lagged behind the revenue growth of 37.6%. The margin was substantially affected by the impact of the higher prices of major raw materials.

B2. Comparison of results against the previous quarter ended 30th June 2008

Group revenue improved by 22.6% from RM49.86 million to RM61.13 million. Profit before tax also improved from RM6.42 million to RM8.51 million. The improvement in profit before tax is mainly due to the higher revenue of RM11.27 million.

B3. Prospects

The Board expects the business environment under the current economic situation to be very challenging and the Group's business will, inevitably be affected by the economic slow down resulting from global recession. In light of this, the Group's results for the current financial year is now expected to be lower than the previous financial year.

B4. Comparison with profit forecast

This note is not applicable.

HEXZA CORPORATION BERHAD (8705-K)



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

B5. Income Tax

Taxation comprises:-

	Current quarter ended 30/09/2008	Current year to date 30/09/2008
	RM'000	RM'000
Estimated current Malaysian taxation	1,926	1,926
Deferred taxation	(221)	(221)
	<u>1,705</u>	<u>1,705</u>

The effective tax rate of the Group for the period to date is lower than the statutory income tax rate mainly due to the availability of unabsorbed business losses.

B6. Sale of unquoted investments and/or properties

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

B7. Purchase or disposal of quoted securities

(a) There was no purchase or disposal of quoted securities in the current quarter.

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

	RM'000
(i) Total investments at cost	8,392
(ii) Total investment at carrying value	7,762
(iii) Total investments at market value	7,763

B8. Status of Corporate proposals

There are no corporate proposals announced as at the date of this report apart from the following :-

On 29th August 2008, the Company proposed to undertake the following :-

A bonus issue of up to 68,150,845 ordinary shares of RM0.50 each in the Company to be credited as fully paid-up on the basis of 1 bonus share for every 2 existing shares held in the Company. The proposal is pending the approval from the shareholders of the Company at the Extraordinary General Meeting to be held on 22nd November 2008. The proposal is expected to be completed by December 2008.

HEXZA CORPORATION BERHAD (8705-K)



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

B9. Group borrowings and debt securities

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

	RM'000
Term loan	888
Less: Amount due within 12 months	<u>(888)</u>
Non-current portion	<u>-</u>

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

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

The Court of Appeal had on 20th November 2008 dismissed with costs the Company's appeal against the High Court decision on the Company's claim for alleged misrepresentation and negligence filed against a former executive.

Other than the above, there were no changes in material litigation since the last annual balance sheet date.

B12. Dividend

No interim dividend has been declared.

HEXZA CORPORATION BERHAD (8705-K)



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

B13. Earnings per share

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

	Current quarter ended 30/09/2008	Current period to date 30/09/2008
Net profit attributable to ordinary shareholders (RM'000)	<u>6,446</u>	<u>6,446</u>
Weighted average number of ordinary shares of RM0.50 each	131,918,024	131,918,024
Basic earnings per ordinary share of RM0.50 each (sen)	<u>4.9</u>	<u>4.9</u>
Diluted earnings per share		
Weighted average number of ordinary shares of RM0.50 each	131,918,024	131,918,024
Adjustment for share options	<u>521,536</u>	<u>521,536</u>
Adjusted weighted average number of ordinary shares for diluted earnings per ordinary share of RM0.50 each	<u>132,439,560</u>	<u>132,439,560</u>
Diluted earnings per ordinary share of RM0.50 each (sen)	<u>4.9</u>	<u>4.9</u>

By Order of the Board,

Ms CHONG YOKE SENG
COMPANY SECRETARY

21 November 2008