



**Interim Report on Consolidated Results for the Financial Quarter ended 31<sup>st</sup> December 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 30<sup>th</sup> 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 30<sup>th</sup> 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**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial period to date, except for the following:

- (i) The paid-up capital was increased from RM66,000,845 to RM66,793,345 by way of issue of 1,585,000 ordinary shares of RM0.50 each pursuant to the exercise of options granted under the Executive Share Option Scheme (ESOS).
- (ii) On 12<sup>th</sup> December 2008, the paid-up capital was increased by the bonus issue of 66,793,345 shares of RM0.50 each on the basis of 1 bonus share for every 2 existing shares held in the Company.

# HEXZA CORPORATION BERHAD (8705-K)



## Interim Report on Consolidated Results for the Financial Quarter ended 31<sup>st</sup> December 2008

### A6. Dividend paid

There was no dividend paid during the quarter under review. The proposed dividend of 4% less tax plus 3% tax-exempt in respect of the financial year ended 30<sup>th</sup> June 2008, has been approved by the shareholders at the 39<sup>th</sup> Annual General Meeting which was held on 22<sup>nd</sup> November 2008. The dividend totaling RM6,011,401 was paid on 8<sup>th</sup> January 2009.

### A7. Segment revenue and segment result

Information on business segments for the financial period ended 31<sup>st</sup> December 2008 is as follows:-

	Manufacturing RM'000	Investment RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>REVENUE</b>					
External sales	95,488	147	2,961	-	98,596
Inter-segment sales	1,745	2,430	-	(4,175)	-
Total revenue	97,233	2,577	2,961	(4,175)	98,596
<b>RESULT</b>					
Operating profit	2,134	1,562	628	(2,930)	1,394
Interest expense					(112)
Interest income					770
Income tax expense					(1,149)
Profit after taxation					903

### 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 31<sup>st</sup> December 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 31<sup>st</sup> December 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 of RM98.60 million for the six months ended 31<sup>st</sup> December 2008 improved by 19.4% or RM16.01 million against RM82.59 million registered in the same period last year, mainly due to increase in average selling price for all core products resulting from higher raw material costs.
- (ii) Group profit before tax was, however significantly lower at RM2.05 million compared to RM13.95 million previously. The profit before tax of RM8.51 million achieved in the first quarter was substantially reduced by the adverse performance of the resins division in the second quarter, due mainly to the financial consequences of acquiring major raw materials at very high prices which suddenly drop precipitously resulting in losses at competitive prices.

**B2. Comparison of results against the previous quarter ended 30<sup>th</sup> September 2008**

Group revenue dropped by 38.7% to RM37.46 million from RM61.13 million previously. The Group reported net loss before tax of RM6.46 million for the current quarter against the net profit of RM8.51 million in the last quarter, mainly due to the following reasons:

- (i) Poorer demand as a result of tight credit and economic scenarios.
- (ii) The impact of very high cost of raw materials resulting in substantial write down in raw material inventory of RM3.21 million.
- (iii) Diminution in value of quoted investment of RM1.60 million.

**B3. Prospects**

In spite of the current global economic slow down, the Board is of the opinion that the second half year will be better than the first half. The Board is hopeful that the financial year will be profitable although substantially lower than the previous 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 31<sup>st</sup> December 2008

### B5. Income Tax

Taxation comprises:-

	Current quarter ended 31/12/2008	Current year to date 31/12/2008
	RM'000	RM'000
Estimated current Malaysian taxation	(684)	1,242
Deferred taxation	162	(59)
	(522)	1,183
Over provision in prior years		
- income tax	(34)	(34)
	(556)	1,149

The effective tax rate of the Group for the period to date is higher than the statutory income tax rate mainly due to the loss making of its subsidiary companies.

### 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)

	Current quarter ended 31/12/2008 RM'000	Current year to date 31/12/2008 RM'000
Total purchase consideration	1,279	1,279
Total sale proceeds	1,308	1,308
Gain on disposal	568	568

(b) Investments in quoted securities as at 31<sup>st</sup> December 2008 are as follows:-

	RM'000
(i) Total investments at cost	8,932
(ii) Total investment at carrying value	6,697
(iii) Total investments at market value	6,697

# HEXZA CORPORATION BERHAD (8705-K)



## Interim Report on Consolidated Results for the Financial Quarter ended 31<sup>st</sup> December 2008

### **B8. Status of Corporate proposals**

There are no corporate proposals announced as at the date of this report. The proposed bonus issue announced on 29<sup>th</sup> August 2008 for the 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 has been duly completed on 12<sup>th</sup> December 2008 with 66,793,345 ordinary shares issued.

### **B9. Group borrowings and debt securities**

Group borrowings as at 31<sup>st</sup> December 2008 consist of the following:

	RM'000
Term loan	588
Less: Amount due within 12 months	<u>(588)</u>
Non-current portion	<u>-</u>

The term loan is denominated in Ringgit Malaysia.

### **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 20<sup>th</sup> 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 31<sup>st</sup> December 2008

### B13. Earnings per share

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

	Current quarter ended 31/12/2008	Current period to date 31/12/2008
Net (loss)/profit attributable to ordinary shareholders (RM'000)	<u>(5,130)</u>	<u>1,316</u>
Weighted average number of ordinary shares of RM0.50 each	155,383,139	143,717,584
Basic earnings per ordinary share of RM0.50 each (sen)	<u>(3.3)</u>	<u>0.9</u>
<b>Diluted earnings per share</b>		
Weighted average number of ordinary shares of RM0.50 each	155,383,139	143,717,584
Adjustment for share options	<u>183,215</u>	<u>310,099</u>
Adjusted weighted average number of ordinary shares for diluted earnings per ordinary share of RM0.50 each	<u>155,566,354</u>	<u>144,027,683</u>
Diluted earnings per ordinary share of RM0.50 each (sen)	<u>(3.3)</u>	<u>0.9</u>

By Order of the Board,

Ms CHONG YOKE SENG  
COMPANY SECRETARY

27 February 2009