

# HEXZA CORPORATION BERHAD (8705-K)

## Interim Report on Consolidated Results for the Financial Quarter ended 30<sup>th</sup> September 2009

### 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 2009.

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 2009.

In the current financial period, the Company adopted the new FRS 8 Operating Segments, which is applicable to financial statements commencing on or after 1<sup>st</sup> July 2009. The adoption of FRS 8 does not have any financial impact on the financial statements of the Group.

#### 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 estimates of amounts 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.

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#### A6. Dividend paid

There was no dividend paid during the quarter under review. However, the Board of Directors have recommended a final dividend of 4% less tax plus 3% tax-exempt in respect of the financial year ended 30<sup>th</sup> June 2009, subject to the approval of the shareholders at the forthcoming Annual General Meeting which will be held on 21<sup>st</sup> November 2009.

#### A7. Segment revenue and segment result

Information on business segments for the financial period ended 30<sup>th</sup> September 2009 is as follows:-

	Manufacturing RM'000	Investment RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>REVENUE</b>					
External sales	37,694	57	1,840	-	39,591
Inter-segment sales	1,150	7,961	-	(9,111)	-
Total revenue	38,844	8,018	1,840	(9,111)	39,591
<b>RESULT</b>					
Operating profit	4,999	8,833	338	(7,961)	6,209
Interest expense					(27)
Interest income					234
Income tax expense					(1,221)
Profit after taxation					5,195

#### 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 30<sup>th</sup> September 2009.

#### 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.

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### **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**

Group revenue of RM39.59 million for the current quarter was lower by 35.2% as compared to RM61.13 million in the same quarter last year. The decrease in revenue was mainly due to the substantial drop in average selling price of the resins division pressured by the fall in major raw material cost accompanied by a contraction of total market demand. Whilst the major raw material cost of the resins division declined, the major raw material cost of the ethanol division rose more than 50% as a result of the surge in world molasses prices.

Consequently, the Group profit before tax at RM6.42 million was substantially lower than RM8.51 million in the previous corresponding quarter.

### **B2. Comparison of results against the previous quarter ended 30<sup>th</sup> June 2009**

Group revenue for the first quarter at RM39.59 million improved by 11.8% from RM35.41 million in the previous quarter mainly due to improved sales volume from the resins division. The corresponding net profit before tax also improved substantially to RM6.42 million from RM3.14 million previously. The gain of RM0.78 million from the disposal of land contributed to the better performance.

### **B3. Prospects**

In view of the improvement in the financial performance of the first quarter and the signs of recovery in the global economy, the Board is optimistic that the performance of the financial year ending 30<sup>th</sup> June 2010 will be better than the financial year ended 30<sup>th</sup> June 2009.

### **B4. Comparison with profit forecast**

This note is not applicable.

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### B5. Income Tax

Taxation comprises:-

	Current quarter ended 30/9/2009	Current period to date 30/9/2009
	RM'000	RM'000
Estimated current Malaysian taxation	1,273	1,273
Deferred taxation	(52)	(52)
	<u>1,221</u>	<u>1,221</u>

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

### B6. Sale of unquoted investments and/or properties

During the quarter under review, the disposal of the parcel of vacant land at IGB International Industrial Park, Ipoh for a total consideration of RM1.165 million was completed. The profit arising from the disposal is RM0.78 million.

The sale and purchase agreement signed on 22<sup>nd</sup> June 2008 for the sale of the remaining parcel of vacant land at IGB International Industrial Park, Ipoh for a consideration of RM1.196 million was completed on 18<sup>th</sup> November 2009. The profit arising from the disposal is RM0.78 million which will be accounted for in the next quarter.

### B7. Purchase or disposal of quoted securities

(a)

	Current quarter ended 30/9/2009 RM'000	Current period to date 30/9/2009 RM'000
Total purchase consideration	<u>2,214</u>	<u>2,214</u>
Total sale proceeds	<u>-</u>	<u>-</u>
Gain on disposal	<u>-</u>	<u>-</u>

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(b) Investments in quoted securities as at 30<sup>th</sup> September 2009 are as follows:-

	RM'000
(i) Total investments at cost	20,774
(ii) Total investment at carrying value	20,774
(iii) Total investments at market value	24,572

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

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

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

The Group has no borrowings and debt securities as at 30<sup>th</sup> September 2009.

### **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 material changes in litigation since the last annual balance sheet date.

### **B12. Dividend**

No interim dividend has been declared.

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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 30/9/2009	Current period to date 30/9/2009
Net profit attributable to ordinary shareholders (RM'000)	<u>4,860</u>	<u>4,860</u>
Weighted average number of ordinary shares of RM0.50 each	200,380,036	200,380,036
Basic/Diluted earnings per ordinary share of RM0.50 each (sen)	<u>2.4</u>	<u>2.4</u>

By Order of the Board,

Ms CHONG YOKE SENG  
COMPANY SECRETARY

20<sup>th</sup> November 2009