



Interim Report on Consolidated Results for the Financial Quarter ended 31st December 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 30th 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 30th 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 1st 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.

HEXZA CORPORATION BERHAD (8705-K)



Interim Report on Consolidated Results for the Financial Quarter ended 31st December 2009

A6. Dividend paid

The proposed final dividend of 4% less tax plus 3% tax-exempt in respect of the financial year ended 30th June 2009, was approved by the shareholders at the 40th Annual General Meeting held on 21st November 2009. The dividend totaling RM6,011,401 was paid on 7th December 2009.

A7. Segment revenue and segment result

Information on business segments for the financial period ended 31st December 2009 is as follows:-

	Manufacturing RM'000	Investment RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE					
External sales	73,998	270	3,339	-	77,607
Inter-segment sales	2,042	15,921	-	(17,963)	-
Total revenue	76,040	16,191	3,339	(17,963)	77,607
RESULT					
Operating profit	8,844	19,158	646	(15,921)	12,727
Interest expense					(44)
Interest income					521
Income tax expense					(2,605)
Profit after taxation					10,599

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 31st December 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.



Interim Report on Consolidated Results for the Financial Quarter ended 31st December 2009

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 at RM77.61 million for the six months ended 31st December 2009 declined by 21.3% or RM20.99 million as compared to RM98.60 million in the same period last year. The decrease in revenue was mainly due to the reduction in average selling price of the resins division.

Group profit before tax at RM13.20 million has, however improved significantly by RM11.15 million from RM2.05 million previously as a result of improved performance of the resins division. The performance was further enhanced by the disposal of two parcels of vacant land and the sale of quoted investments, resulting in profit of RM1.55 million and RM1.52 million respectively.

B2. Comparison of results against the previous quarter ended 30th September 2009

Group revenue for the current quarter at RM38.02 million decreased marginally by 4.0% from previous quarter of RM39.59 million as a result of weaker demand from customers. Net profit before tax of RM6.79 million, however showed a marginal improvement from RM6.42 million previously, contributed mainly from the profit of RM1.52 million from sale of quoted investment.

B3. Prospects

The Board is confident that the performance of the Group for the financial year ending 30th June 2010 will be better than the financial year ended 30th June 2009.

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 31st December 2009

B5. Income Tax

Taxation comprises:-

	Current quarter ended 31/12/2009	Current period to date 31/12/2009
	RM'000	RM'000
Estimated current Malaysian taxation	1,008	2,281
Deferred taxation	420	368
	<u>1,428</u>	<u>2,649</u>
Over provision in prior years - income tax	<u>(44)</u>	<u>(44)</u>
	<u>1,384</u>	<u>2,605</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 remaining parcel of vacant land at IGB International Industrial Park, Ipoh was completed. The total consideration and profit arising from the disposal were RM1.196 million and RM0.77 million respectively.

B7. Purchase or disposal of quoted securities

(a)

	Current quarter ended 31/12/2009 RM'000	Current period to date 31/12/2009 RM'000
Total purchase consideration	<u>2,635</u>	<u>4,849</u>
Total sale proceeds	<u>4,966</u>	<u>4,966</u>
Gain on disposal	<u>1,523</u>	<u>1,523</u>

HEXZA CORPORATION BERHAD (8705-K)



Interim Report on Consolidated Results for the Financial Quarter ended 31st December 2009

(b) Investments in quoted securities as at 31 st December 2009 are as follows:-	RM'000
(i) Total investments at cost	19,967
(ii) Total investment at carrying value	19,967
(iii) Total investments at market value	23,494

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 31st December 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.

HEXZA CORPORATION BERHAD (8705-K)



Interim Report on Consolidated Results for the Financial Quarter ended 31st December 2009

B13. Earnings per share

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

	Current quarter ended 31/12/2009	Current period to date 31/12/2009
Net profit attributable to ordinary shareholders (RM'000)	<u>5,095</u>	<u>9,955</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>2.5</u>	<u>5.0</u>

By Order of the Board,

Ms CHONG YOKE SENG
COMPANY SECRETARY

25th February 2010