



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30th September 2010

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 the applicable disclosure provisions 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 2010.

The quarterly financial statements under review have been prepared based on the same accounting policies and methods of computation adopted in the most recent Audited Financial Statements for the year ended 30th June 2010, except for the following new/revised standards applicable for annual periods beginning on or after 1st July 2010:

(a) FRS 101 (revised) – Presentation of Financial Statements

This standard requires changes in the format and content of the financial statements and prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ is required to be presented as a single statement or two statements (comprising the income statement and statement of comprehensive income). The Group has elected to show other comprehensive income in a separate statement from the income statement. The adoption of this standard does not have any impact on the financial position and results of the Group.

(b) Amendments to FRS 117 – Leases

The amendments to FRS 117 clarify the classification of lease of land and require entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease.

The Group has reassessed and determined that all leasehold land are in substance finance lease and has reclassified the leasehold land to property, plant and equipment. The adoption of these amendments will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions and has no effect on reported profit or equity.

The following comparative figures have been restated following the adoption of the amendments to FRS 117:

	As previously reported RM’000	Adoption of FRS 117 RM’000	As restated at 30/06/2010 RM’000
Property, plant and equipment	53,264	7,860	61,124
Prepaid lease payments	7,860	(7,860)	-



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30th September 2010

(c) *FRS 139 – Financial Instruments : Recognition and Measurement*

FRS 139 sets out the new requirements for the recognition and measurement of financial instruments. The adoption of FRS 139 has resulted in changes to accounting policies relating to recognition and measurement of financial instruments and the new accounting policies are as follows:

(i) *Initial recognition and measurement*

A financial instrument is recognised in the financial statements when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) *Financial instrument categories and subsequent measurement*

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in income statement except for derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Financial assets categorised as held-to-maturity investments which includes debt instruments that are quoted in an active market are subsequently measured at amortised cost using the effective interest method.

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents. Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

Available-for-sale financial assets comprise investments in equity and debt securities that are not held for trading and are subsequently measured at fair value with gain or loss recognised in other comprehensive income.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30th September 2010

(c) *FRS 139 – Financial Instruments : Recognition and Measurement (continued)*

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Other financial liabilities categorised as fair value through profit or loss is subsequently measured at their fair values with the gain or loss recognised in income statement.

(iii) *Derecognition*

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On the derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the income statement.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement.

In accordance with the transitional provisions of FRS 139 for first-time adoption, adjustments arising from the above changes are applied prospectively and the comparative as at 30th June 2010 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the statement of financial position as at 1st July 2010:

	As previously reported RM'000	Effects of FRS 139 RM'000	As restated at 01/07/2010 RM'000
Non-Current Assets			
- Other investments	34,948	(34,948)	-
- Available-for-sale financial assets	-	40,654	40,654
Total	<u>34,948</u>	<u>5,706</u>	<u>40,654</u>
Equity			
- Fair value reserves	-	5,706	5,706



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30th September 2010

A2. Seasonal or cyclical factors

The business operations of the Group were not significantly affected by any seasonal or cyclical factors.

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.

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 4% tax-exempt in respect of the financial year ended 30th June 2010, subject to the approval of the shareholders at the forthcoming Annual General Meeting which will be held on 20th November 2010. The dividend, if approved, will be paid on 11th January 2011.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30th September 2010

A7. Segment revenue and segment result

Information on business segments for the financial period ended 30th September 2010 is as follows:-

	Manufacturing RM'000	Investment RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE					
External sales	36,604	97	1,986	-	38,687
Inter-segment sales	693	-	9,727	(10,420)	-
Total revenue	37,297	97	11,713	(10,420)	38,687
RESULT					
Operating profit	3,244	54	579	167	4,044
Interest expense					(21)
Interest income					436
Income tax expense					(995)
Profit after taxation					3,464

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 2010.

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.

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.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30th September 2010

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

B1. Review of performance

Group's revenue for the current quarter at RM38.69 million was marginally lower than the same quarter last year of RM39.59 million. Profit before tax was also lower at RM4.46 million as compared to RM6.42 million previously mainly due to the poor performance of the ethanol division.

B2. Comparison of results against the previous quarter ended 30th June 2010

Group's revenue for the current quarter at RM38.69 million was lower than last preceding quarter by RM0.60 million as a result of lower sales volume from the ethanol division. Nevertheless, profit before tax has improved by RM0.71 million to RM4.46 million in the current quarter, mainly attributed to the improved performance of the resins division.

B3. Prospects

The Board is of the opinion that the business and operating environment in the current financial year will remain challenging and competitive. It will be most challenging to attain the same profit as the financial year just ended 30th June 2010 in view that the ethanol division will only be back to full production in the late third quarter of the current financial year.

B4. Comparison with profit forecast

This note is not applicable.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30th September 2010

B5. Income Tax

Taxation comprises:-

	Current quarter ended 30/09/2010	Current year to date 30/09/2010
	RM'000	RM'000
Estimated current Malaysian taxation	1,145	1,145
Deferred taxation	<u>(140)</u>	<u>(140)</u>
	1,005	1,005
Over provision in prior years - income tax	<u>(10)</u>	<u>(10)</u>
	<u>995</u>	<u>995</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 non-taxable income and the availability of unabsorbed business losses and capital allowances.

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 30/09/2010 RM'000	Current year to date 30/09/2010 RM'000
Total purchase consideration	<u>4,208</u>	<u>4,208</u>
Total sale proceeds	<u>-</u>	<u>-</u>
Gain on disposal	<u>-</u>	<u>-</u>



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30th September 2010

(b) Investments in quoted securities as at 30th September 2010 are as follows:-

	RM'000
(i) Total investments at cost	30,275
(ii) Total investment at carrying value	39,918
(iii) Total investments at market value	39,918

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 30th September 2010.

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 First Quarter ended 30th September 2010

B13. Earnings per share

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

	Current quarter ended 30/09/2010	Current year to date 30/09/2010
Net profit attributable to ordinary shareholders (RM'000)	<u>2,942</u>	<u>2,942</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>1.5</u>	<u>1.5</u>

B14. Audit report

The audit report for the financial year ended 30th June 2010 was not subject to any qualification.

B15. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19th November 2010.