



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30th September 2011

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 2011.

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 2011, except for the adoption of the following Amendments to Financial Reporting Standards (“FRSs”), IC Interpretations and Amendments to IC Interpretation by the Group with effect from 1st July 2011:

- Amendments to FRS 1 Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Amendments to FRS 1 Additional Exemptions for First-time Adopters
- Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions
- Amendments to FRS 7 Improving Disclosures about Financial Instruments
- Amendments to FRSs Improvements to FRSs (2010)
- IC Interpretation 4 Determining Whether an Arrangement Contains a Lease
- Amendments to IC Interpretation 14 Prepayments of a Minimum Funding Requirement
- IC Interpretation 18 Transfers of Assets from Customers
- IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above Amendments to FRSs, IC Interpretations and Amendments to IC Interpretation did not have any effect on the financial performance or presentation of the financial statements of the Group.

At the date of authorisation of the interim financial report, the following FRS and IC Interpretation were issued but not yet effective and have not been applied by the Group:

FRS and IC Interpretation		Effective for annual periods beginning on or after
FRS 124	Related Party Disclosures	1 January 2012
IC Interpretation 15	Agreements for the Construction of Real Estate	1 January 2012



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A2. Audit report

The audit report for the financial year ended 30th June 2011 was not subject to any qualification.

A3. Seasonal or cyclical factors

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

A4. 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.

A5. 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.

A6. 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.

A7. Dividend paid

There was no dividend paid during the quarter under review. The proposed final dividend by the Board of Directors of 8% less tax plus 2% tax-exempt in respect of the financial year ended 30th June 2011 is subject to the approval of the shareholders at the forthcoming Annual General Meeting which will be held on 26th November 2011.



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A8. Segment revenue and segment result

Information on business segments for the financial year ended 30th September 2011 is as follows:-

	Manufacturing RM'000	Investment RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE						
External sales	34,049	288	1,148	-	-	35,485
Inter-segment sales	840	-	9,285	-	(10,125)	-
Total revenue	34,889	288	10,433	-	(10,125)	35,485
RESULT						
Operating profit	239	828	340	19	197	1,623
Interest expense						(22)
Interest income						221
Income tax expense						(270)
Profit after tax						1,552

A9. 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 2011.

A10. 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.

A11. Contingent liabilities or contingent assets

There is no change in contingent liabilities or contingent assets since the last annual statement of financial position to the date of this report.



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

B1. Review of performance

Group's revenue for the first quarter at RM35.49 million was 8.3% lower than the revenue of RM38.69 million reported in the same period last year. Net profit before tax however, reduced significantly to RM1.82 million as compared to RM4.46 million previously. The operating profit was lower due to the impact of rising raw material costs on the resins division and the significantly lower revenue from the ethanol division.

B2. Comparison of results against the previous quarter ended 30th June 2011

Group's revenue of RM35.49 million improved marginally by RM1.40 million against last preceding quarter of RM34.09 million. Net profit before tax was however, substantially lower at RM1.82 million as compared to RM6.03 million previously. The results of the previous quarter included gains on sale of quoted investments of RM3.28 million.

B3. Prospects

The Board is of the opinion that the performance of the next quarter will remain challenging in view of the current global economic uncertainty. However, the directors expect the operational profits for the current financial year ending 30th June 2012 to be comparable to the previous financial year.

B4. Comparison with profit forecast

This note is not applicable.



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B5. Income Tax

Taxation comprises:-

	Current quarter ended 30/09/2011	Current year to date 30/09/2011
	RM'000	RM'000
Estimated current Malaysian taxation	624	624
Deferred taxation	<u>(354)</u>	<u>(354)</u>
	<u>270</u>	<u>270</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.

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 30/09/2011 RM'000	Current year to date 30/09/2011 RM'000
Total purchase consideration	<u>656</u>	<u>656</u>
Total sale proceeds	<u>1,630</u>	<u>1,630</u>
Gain on disposal	<u>443</u>	<u>443</u>

(b) Investments in quoted securities as at 30th September 2011 are as follows:-

	RM'000
(i) Total investments at cost	42,113
(ii) Total investment at carrying value	40,375
(iii) Total investments at market value	40,375



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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 2011.

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 end of the last reporting period.

B12. Dividend

No interim dividend has been declared.

B13. Earnings per share

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

	Current quarter ended 30/09/2011	Current year to date 30/09/2011
Net profit attributable to ordinary shareholders (RM'000)	<u>1,269</u>	<u>1,269</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>0.6</u>	<u>0.6</u>



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B14. Disclosure of Realised and Unrealised Profits

	As at 30/09/2011 RM'000	As at 30/06/2011 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	107,168	106,252
- Unrealised	(5,829)	(6,182)
	<hr/>	<hr/>
Total group retained profits as per consolidated accounts	101,339	100,070

The disclosure of realised and unrealised profits is made solely for complying with the disclosure requirements as stipulated in the directives of Bursa Malaysia Securities Berhad and is not made for any other purposes.

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 25th November 2011.