



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Second Quarter ended 31st December 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.

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.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Second Quarter ended 31st December 2011

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

No dividend was proposed in the current quarter. The final dividend proposed by the Board of Directors of 8% less tax plus 2% tax-exempt in respect of the previous financial year ended 30th June 2011 was approved by the shareholders at the 42nd Annual General Meeting held on 26th November 2011. The dividend was paid on 5th January 2012.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Second Quarter ended 31st December 2011

A8. Segment revenue and segment result

Information on business segments for the financial year ended 31st December 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	69,975	924	3,125	-	-	74,024
Inter-segment sales	1,617	3,555	17,050	-	(22,222)	-
Total revenue	71,592	4,479	20,175	-	(22,222)	74,024
RESULT						
Operating profit	2,032	5,092	548	38	(3,358)	4,352
Interest expense						(65)
Interest income						420
Income tax expense						(793)
Profit after tax						3,914

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 31st December 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.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Second Quarter ended 31st December 2011

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

B1. Review of performance

- (a) Group's revenue and profit before tax for the current quarter at RM38.54 million and RM2.88 million respectively were lower as compared to the revenue of RM39.08 million and profit before tax of RM4.09 million in the same reporting period last year.

The lower operating profit was mainly due to the significant reduction in manufacturing segment revenue principally the ethanol division. The additional operating cost of the waste water treatment plant further aggravated the financial performance of the ethanol division.

- (b) The Group's revenue of RM74.02 million for the six months period ended 31st December 2011 was 5% lower against last corresponding period of RM77.77 million, primarily attributed to the lower sales volume from the manufacturing segment.

Net profit before tax at RM4.71 million however, fell significantly against RM8.55 million previously as a result of reduced margin of the manufacturing segment due mainly to increased cost of key raw materials. The lower profit was partly mitigated by the improved profit of RM0.44 million from the investment segment arising mainly from gain on sale of quoted investment.

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

Group's revenue increased by RM3.05 million to RM38.54 million as compared to RM35.49 million previously. The corresponding profit before tax also improved from RM1.82 million to RM2.88 million. The higher net profit before tax was mainly attributed to the following factors:

- (i) Improved performance of the ethanol division on the back of higher sales.
- (ii) Recovery of a trade debt from the resins division amounting to RM0.90 million.
- (iii) Higher dividend income from investment segment at RM0.93 million against last preceding quarter of RM0.29 million.

B3. Prospects

The Board anticipates that the business environment for the remaining half of the financial year ending 30th June 2012 will remain challenging.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Second Quarter ended 31st December 2011

B4. Comparison with profit forecast

This note is not applicable.

B5. Income Tax

Taxation comprises:-

	Current quarter ended 31/12/2011	Current year to date 31/12/2011
	RM'000	RM'000
Estimated current Malaysian taxation	645	1,269
Deferred taxation	(122)	(476)
	<u>523</u>	<u>793</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. Profit before taxation

Profit before tax is arrived at after charging/(crediting):

	Current quarter ended 31/12/2011	Current year to date 31/12/2011
	RM'000	RM'000
Depreciation and amortisation	1,383	2,751
Interest expense	43	65
Interest income	(199)	(420)
Gain on disposal of quoted investment	-	(443)
Income from investment funds	(277)	(556)
Recovery of trade debts	(928)	(928)
Loss/(gain) on foreign exchange	2	(6)

Other than the above, there were no provisions or write-off of receivables and inventories, impairment of assets, gain or loss on derivatives and exceptional items for the current quarter and financial period ended 31st December 2011.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Second Quarter ended 31st December 2011

B7. Status of Corporate proposals

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

B8. Group borrowings and debt securities

The Group's short-term borrowings as at 31st December 2011 represent credit facilities from a licensed bank bearing interest at rates ranging from 3.70% to 3.75% per annum.

B9. Changes in material litigation

There were no material changes in litigation since the end of the last reporting period.

B10. Dividend

No interim dividend has been declared.

B11. Earnings per share

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

	Current quarter ended 31/12/2011	Current year to date 31/12/2011
Net profit attributable to ordinary shareholders (RM'000)	2,177	3,446
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>1.1</u>	<u>1.7</u>



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Second Quarter ended 31st December 2011

B12. Disclosure of Realised and Unrealised Profits

	As at 31/12/2011 RM'000	As at 30/06/2011 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	101,207	106,252
- Unrealised	<u>(5,706)</u>	<u>(6,182)</u>
Total group retained profits as per statement of financial position	<u>95,501</u>	<u>100,070</u>

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.

B13. 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 21st February 2012.