



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Third Quarter ended 31st March 2012

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 FRS 7 Mandatory Effective Date of MFRS 9 and Transition Disclosures
- Amendments to FRS 9 Mandatory Effective Date of FRS 9 and Transition Disclosures
- 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 do 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.



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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.



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A8. Segment revenue and segment result

Information on business segments for the financial period ended 31st March 2012 is as follows:-

	Manufacturing RM'000	Investment RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE						
External sales	105,879	1,174	4,167	-	-	111,220
Inter-segment sales	2,397	3,555	26,561	-	(32,513)	-
Total revenue	108,276	4,729	30,728	-	(32,513)	111,220
RESULT						
Operating profit	3,326	5,443	739	55	(3,358)	6,205
Interest expense						(87)
Interest income						635
Income tax expense						(1,658)
Profit after tax						5,095

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 March 2012.

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

- (a) Group's revenue for the current quarter at RM37.20 million improved by RM2.27 million as compared to RM34.93 million reported in the same quarter last year. Profit before tax, consequently improved by 21% to RM2.05 million from RM1.69 million registered a year ago.

The improvement in profit before tax was mainly attributed to the enhanced profit contributed by the higher revenue of the manufacturing segment.

- (b) Group's total revenue at RM111.22 million for the nine months period ended 31st March 2012 was marginally lower than last year of RM112.70 million.

Net profit before tax at RM6.75 million, dropped by RM3.49 million from RM10.24 million a year ago. The reduction was mainly due to the following:-

Gross profit margin of the resins division in the manufacturing segment was reduced due to increase in major raw material prices of urea and methanol by about 37% and 18% respectively. However, the impact of the increase in cost of major raw material was partly mitigated by the gain on sale of quoted shares of RM0.47 million in the investment segment.

B2. Comparison of results against the previous quarter ended 31st December 2011

Group's revenue at RM37.20 million was slightly lower by 3% from the revenue recorded in last preceding quarter of RM38.54 million. Profit before tax accordingly, reduced to RM2.05 million from RM2.89 million previously. The previous quarter result was enhanced by the recovery of trade debt of RM0.90 million from the manufacturing segment.

The performance of the current quarter was also impacted by the lower dividend income from investment segment at RM0.25 million as compared to the higher dividend income in the immediate preceding quarter of RM0.64 million.



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B3. Prospects

The performance of the Group continues to be affected by the poorer performance of the ethanol division in the manufacturing segment. Production of ethanol was hampered by the unsuccessful commissioning of the imported equipment which was set up to meet the stringent standards in the discharge of waste water.

In view of the above, the operating profit of the Group for the fourth quarter is expected to be substantially the same as the third quarter.

B4. Comparison with profit forecast

This note is not applicable.

B5. Income Tax

Taxation comprises:-

	Current quarter ended 31/03/2012	Current year to date 31/03/2012
	RM'000	RM'000
Estimated current Malaysian taxation	450	1,719
Deferred taxation	231	(245)
	<u>681</u>	<u>1,474</u>
Under provision in prior years - income tax	184	184
	<u>865</u>	<u>1,658</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.



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B6. Profit before taxation

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

	Current quarter ended 31/03/2012 RM'000	Current year to date 31/03/2012 RM'000
Depreciation and amortisation	1,386	4,137
Interest expense	22	87
Interest income	(215)	(635)
Gain on disposal of quoted investment	(25)	(468)
Income from investment funds	(238)	(794)
Recovery of trade debts	-	(928)
Loss/(gain) on foreign exchange	1	(5)

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable for the current quarter and financial period ended 31st March 2012.

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 March 2012 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.



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B11. Earnings per share

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

	Current quarter ended 31/03/2012	Current year to date 31/03/2012
Net profit attributable to ordinary shareholders (RM'000)	<u>1,025</u>	<u>4,471</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>0.5</u>	<u>2.2</u>

B12. Disclosure of Realised and Unrealised Profits

	As at 31/03/2012 RM'000	As at 30/06/2011 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	102,463	106,252
- Unrealised	<u>(5,937)</u>	<u>(6,182)</u>
Total group retained profits as per statement of financial position	<u>96,526</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 22nd May 2012.