



## HEXZA CORPORATION BERHAD (8705-K)

### Interim Report on Consolidated Results for the Fourth Quarter ended 30<sup>th</sup> June 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 30<sup>th</sup> 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 30<sup>th</sup> 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 1<sup>st</sup> 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 30<sup>th</sup> 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 year.

#### **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 financial year.

#### **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 year to date.

#### **A7. Dividend paid**

There was no dividend paid during the quarter under review.

A first and final dividend of 8.0%, less tax and a tax-exempt dividend of 2.0% in respect of the previous financial year ended 30<sup>th</sup> June 2011 was paid by the Company on 5<sup>th</sup> January 2012.



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#### A8. Segment revenue and segment result

Information on business segments for the financial year ended 30<sup>th</sup> June 2012 is as follows:-

	Manufacturing RM'000	Investment RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>REVENUE</b>						
External sales	141,361	2,198	5,057	-	-	148,616
Inter-segment sales	3,049	8,533	32,646	-	(44,228)	-
Total revenue	144,410	10,731	37,703	-	(44,228)	148,616
<b>RESULT</b>						
Operating profit	4,455	11,551	931	71	(8,432)	8,576
Interest expense						(136)
Interest income						825
Income tax expense						(2,248)
Profit after tax						7,017

#### 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 year ended 30<sup>th</sup> June 2012.

#### A10. Change in composition of the Group

There are no changes in the composition of the Group for the current financial year 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 RM37.40 million has improved by 10% from the revenue reported in the same quarter last year of RM34.09 million. Profit before tax, on the other hand deteriorated significantly by 58% to RM2.51 million from the profit registered previously of RM6.03 million.

The decline in profit before tax was primarily attributed to the lower gain arising from sale of quoted securities of the investment segment at RM0.47 million against the higher gain of RM3.36 million reported in the same quarter last year.

- (b) Group's total revenue for the current financial year at RM148.62 million was marginally higher than last year of RM146.79 million.

Net profit before tax at RM9.27 million was significantly lower by RM7.00 million from the profit reported previously of RM16.27 million. The reduced profit was mainly due to the following:-

- i) Lower gross profit margin of the manufacturing segment as a result of increase in major raw material prices of the resins division.
- ii) Gain on sale of quoted shares in the investment segment decreased by RM2.89 million.

##### **B2. Comparison of results against the previous quarter ended 31<sup>st</sup> March 2012**

Group's revenue at RM37.40 million approximates to the revenue recorded in last preceding quarter of RM37.20 million. Profit before tax however, increased to RM2.51 million from RM2.05 million previously mainly due to higher dividend received from investment segment by RM0.77 million.

The increased profit before tax for the current quarter was however partly reduced by the lower profit of the manufacturing segment arising mainly from the amount of stocks written off totalling RM0.23 million.

##### **B3. Prospects**

The Board anticipates the performance and operational profit of the Group for the financial year ending 30<sup>th</sup> June 2013 to be comparable to the financial year ended 30<sup>th</sup> June 2012.



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#### B4. Comparison with profit forecast

This note is not applicable.

#### B5. Income Tax

Taxation comprises:-

	Current quarter ended 30/06/2012	Current year to date 30/06/2012
	RM'000	RM'000
Estimated current Malaysian taxation	716	2,435
Deferred taxation	(122)	(367)
	<u>594</u>	<u>2,068</u>
Under provision in prior years		
- income tax	-	184
- deferred tax	(4)	(4)
	<u>590</u>	<u>2,248</u>

The effective tax rate of the Group for the current year 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 30/06/2012	Current year to date 30/06/2012
	RM'000	RM'000
Depreciation and amortization	1,362	5,499
Interest expense	49	136
Interest income	(190)	(825)
Inventories written off	265	334
Gain on disposal of quoted investment	-	(468)
Income from investment funds	(261)	(1,055)
Recovery of trade debts	-	(928)
Gain on foreign exchange	(3)	(8)



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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 year ended 30<sup>th</sup> June 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 30<sup>th</sup> June 2012 represent credit facilities from a licensed bank bearing interest at rates ranging from 4.20% to 4.74% per annum.

#### **B9. Changes in material litigation**

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

#### **B10. Dividend**

- (a) A first and final dividend of 4.0 sen net per ordinary share of 50 sen each comprising dividend of 8%, less tax and a tax-exempt dividend of 2% in respect of the financial year ended 30<sup>th</sup> June 2012 has been recommended by the Directors which are subject to the approval of the shareholders at the forthcoming Annual General Meeting.
- (b) The final dividend paid for the previous financial year ended 30<sup>th</sup> June 2011 was 4.0 sen net per ordinary share of 50 sen each comprising dividend of 8%, less 25% tax and a tax-exempt dividend of 2%.
- (c) The date of payment of the recommended final dividend shall be determined by the Directors and announced at a later date.



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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 30/06/2012	Current year to date 30/06/2012
Net profit attributable to ordinary shareholders (RM'000)	<u>1,687</u>	<u>6,158</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>0.8</u>	<u>3.1</u>

#### B12. Disclosure of Realised and Unrealised Profits

	As at 30/06/2012 RM'000	As at 30/06/2011 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	104,041	106,252
- Unrealised	<u>(5,828)</u>	<u>(6,182)</u>
Total group retained profits as per statement of financial position	<u>98,213</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 29<sup>th</sup> August 2012.