



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30 September 2013

A NOTES TO THE INTERIM FINANCIAL REPORT

A1. Accounting policies and method of computation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS 134”) and the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

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 June 2013 except for the newly-issued Malaysian Financial Reporting Standards (“MFRS”), Amendments to MFRS and IC Interpretations (“IC Int.”) that are applicable to the Group for financial period beginning 1 July 2013:

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest in Other Entities
MFRS 13	Fair Value Measurements

Amendments to the following MFRSs:

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
MFRS 7	Disclosure– Offsetting Financial Assets and Financial Liabilities
MFRS 10	Consolidated Financial Statements: Transition Guidance
MFRS 11	Joint Arrangements: Transition Guidance
MFRS 12	Disclosure of Interest in Other Entities: Transition Guidance
MFRS 101	Presentation of Financial Statements (Annual Improvements 2009-2001 Cycle)
MFRS 116	Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
MFRS 132	Financial Instruments: Presentation (Annual Improvements 2009- 2011 Cycle)
MFRS 134	Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)

The adoption of the above did not have any material impact on this report upon their initial application.



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A2. Audit report

The audit report for the financial year ended 30 June 2013 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

There were no changes in the estimates of amounts reported previously that have a material effect in the current financial 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 8.0% less tax plus 2.0% tax-exempt in respect of the financial year ended 30 June 2013 will be paid on 11 December 2013, subject to the approval of the shareholders at the forthcoming Annual General Meeting to be held on 23 November 2013.



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A8. Segment revenue and segment result

Information on business segments for the financial period ended 30 September 2013 is as follows:

	Manufacturing RM'000	Investment RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE						
External sales	30,416	309	715	-	-	31,440
Inter-segment sales	552	-	3,684	-	(4,236)	-
Total revenue	30,968	309	4,399	-	(4,236)	31,440
RESULT						
Operating profit	349	441	147	20	54	1,011
Interest expense						(3)
Interest income						185
Taxation						(166)
Profit after tax						1,027

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 statements for the quarter ended 30 September 2013.

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

1st Quarter of FY 2014 compared with 1st Quarter of FY 2013

The Group achieved a marginal higher turnover of RM31.44 million compared to RM31.34 million in the same period last year. However, profit before tax was higher at RM1.19 million as compared to RM0.40 million previously.

The performance of the operating business segments is as follows:

Manufacturing segment – Turnover for the quarter was almost the same as the previous corresponding quarter. The turnover of the ethanol division improved substantially by 20.1%, however, the increase was offset by the reduction in turnover by the resins division. Profit before tax was mainly contributed by the improved results of the ethanol division.

Investment segment – Profit before tax of RM0.62 million was marginally higher mainly due to higher dividend income from quoted investments.

Trading segment – Turnover reduced 22.2% to RM0.72 million and profit before tax reduced marginally to RM0.14 million.

B2. Comparison of results for the 1st Quarter of FY 2014 against immediate preceding 4th Quarter of FY 2013

The Group revenue of RM31.44 million was 3.5% lower as compared to the immediate previous quarter mainly attributable to lower dividend income from quoted investments. The corresponding profit before tax at RM1.19 million was also lower, by RM5.35 million; the results of the previous quarter included gains on disposal of quoted investments amounting to RM4.14 million and higher dividend income by RM1.24 million.

B3. Prospects

The business sentiment remains challenging due to the prevailing global economic conditions. Continuing rising costs in raw materials and services are major concerns. In addition, the excess in available capacity in the production of formaldehyde resins will lead to a highly competitive environment.



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B4. Comparison with profit forecast

This note is not applicable.

B5. Income tax

Taxation comprises:

	Current quarter ended 30/09/2013	Current year to date 30/09/2013
	RM'000	RM'000
Estimated current Malaysian taxation	175	175
Deferred taxation	<u>(9)</u>	<u>(9)</u>
	<u>166</u>	<u>166</u>

The effective tax rate of the Group for the current period to date is lower than the statutory tax rate mainly due to non-taxable income.

B6. Profit before taxation

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

	Current quarter ended 30/09/2013	Current year to date 30/09/2013
	RM'000	RM'000
Depreciation and amortisation	1,497	1,497
Inventories written off	76	76
Interest expense	3	3
Interest income	(185)	(185)
Income from financial assets designated as at FVTPL	(337)	(337)
Net foreign exchange gain	(6)	(6)

Other than the above items, there were no provision for and write off of receivables, gain or loss on disposal of unquoted investment or properties, impairment of assets, gain or loss on derivatives and exceptional items for the current quarter and financial year-to-date.



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B7. Status of corporate proposals

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

B8. Group borrowings and debt securities

There were no group borrowing and debt securities as at the end of the current quarter.

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 was declared for the current quarter under review.

B11. Earnings per share

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

	Current quarter ended 30/09/2013	Current year to date 30/09/2013
Net profit attributable to ordinary shareholders (RM'000)	<u>1,020</u>	<u>1,020</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>0.5</u>



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B12. Disclosure of realised and unrealised profits

	As at 30/09/2013 RM'000	As at 30/06/2013 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	104,721	103,637
- Unrealised	5,798	5,861
	<hr/>	<hr/>
Total group retained profits as per consolidated accounts	110,519	109,498

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 8th November 2013.