



## HEXZA CORPORATION BERHAD (8705-K)

### Interim Report on Consolidated Results for the Third Quarter ended 31 March 2014

#### 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.



## **HEXZA CORPORATION BERHAD** (8705-K)

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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**

No dividend was 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 31 March 2014 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	100,262	1,073	1,929	-	-	103,264
Inter-segment sales	1,492	1,620	15,223	-	(18,335)	-
Total revenue	101,754	2,693	17,152	-	(18,335)	103,264
<b>RESULT</b>						
Operating profit	3,917	2,909	418	56	(1,567)	5,733
Interest expense						(33)
Interest income						618
Taxation						(1,148)
Profit after tax						5,170

#### 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 31 March 2014.

#### 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) 3<sup>rd</sup> Quarter of FY 2014 compared with 3<sup>rd</sup> Quarter of FY 2013**

The Group registered a turnover of RM35.54 million for the quarter, 16.6% higher compared to RM30.48 million in the same quarter last year. Profit before tax was also higher at RM1.72 million as compared to RM1.30 million previously.

The performance of the operating business segments is as follows:

Manufacturing segment – Turnover for the quarter was RM5.32 million higher due to increase in sales of ethanol and resins division by 37.0% and 10.3% respectively. Higher profit before tax was however solely attributable to improved results of the ethanol division. The resins division incurred minor loss due to higher raw material cost.

Investment segment – Profit before tax of RM0.49 million was lower mainly due to lower dividend income from quoted investments.

Trading segment – Turnover was 6.6% lower and profit before tax decreased to RM0.10 million.

###### **(b) Current year-to-date compared with year-to-date of FY 2013**

The Group registered a turnover of RM103.26 million compared to RM91.96 million in the same period last year. Profit before tax was also higher at RM6.32 million as compared to RM3.53 million previously.

The performance of the operating business segments is as follows:

Manufacturing segment – Turnover for the period was RM11.77 million higher contributed mainly by the increase in sales of the ethanol division. Consequently, higher profit before tax was mainly attributable to improved results of the ethanol division.

Investment segment – Profit before tax of RM1.87 million was lower mainly due to lower dividend income from quoted investments.

Trading segment – Turnover reduced marginally to RM1.93 million, however, profit before tax increased from RM0.37 million to RM0.41 million mainly attributable to lower other operating expenses.



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#### B2. Comparison of results for the 3<sup>rd</sup> Quarter of FY 2014 against 2<sup>nd</sup> Quarter of FY 2014

The Group registered a lower turnover and profit before tax of RM35.54 million and RM1.72 million respectively for the third quarter. Turnover was marginally lower by 2.1%, however, profit before tax was about 50.0% lower, mainly due to the higher key raw material costs faced by the resins division.

#### B3. Prospects

The Directors expect the operational performance of the fourth quarter to improve and the results for the current financial year will be better than the previous financial year.

#### B4. Comparison with profit forecast

This note is not applicable.

#### B5. Income tax

Taxation comprises:

	Current quarter ended 31/03/2014	Current year to date 31/03/2014
	RM'000	RM'000
Estimated current Malaysian taxation	605	1,497
Deferred taxation	(300)	(349)
	<u>305</u>	<u>1,148</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.



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#### B6. Profit before taxation

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

	Current quarter ended 31/03/2014 RM'000	Current year to date 31/03/2014 RM'000
Depreciation and amortisation	1,298	4,142
Inventories written off	63	126
Interest expense	22	33
Income from financial assets designated as at FVTPL	(275)	(878)
Interest income	(178)	(618)
Net foreign exchange gain	(13)	(21)

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.

#### 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 borrowing as at 31 March 2014 was due to the utilisation of trade facility from a licensed bank bearing interest at rate of 4.32% 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 was declared for the current financial period to 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 31/03/2014	Current year to date 31/03/2014
Net profit attributable to owners of the Company (RM'000)	<u>1,332</u>	<u>4,961</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>0.7</u>	<u>2.5</u>

#### B12. Disclosure of realised and unrealised profits

	As at 31/03/2014 RM'000	As at 30/06/2013 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	100,452	103,638
- Unrealised	<u>5,993</u>	<u>5,861</u>
Total group retained profits as per consolidated accounts	<u>106,445</u>	<u>109,499</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 28 May 2014.