



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 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 3	Business Combinations (IFRS 3 <i>Business Combinations</i> issued by IASB in March 2004)
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest in Other Entities
MFRS 13	Fair Value Measurements
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2004)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)

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 2009-2011 Cycle)
MFRS 116	Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
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 year.

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 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

No dividend was 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 previous financial year ended 30 June 2013 were paid by the Company on 11 December 2013.



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A8. Segment revenue and segment result

Information on business segments for the financial period ended 30 June 2014 is as follows:

	Manufacturing RM'000	Investment RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE						
External sales	140,543	2,205	2,593	-	-	145,341
Inter-segment sales	1,987	6,998	19,540	-	(28,525)	-
Total revenue	142,530	9,203	22,133	-	(28,525)	145,341
RESULT						
Operating profit	9,450	7,013	552	55	(6,995)	10,075
Interest expense						(62)
Interest income						734
Taxation						(2,164)
Profit after tax						8,583

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 year ended 30 June 2014.

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) 4th Quarter of FY 2014 compared with 4th Quarter of FY 2013

The Group registered a turnover of RM42.08 million for the quarter, 29.1% higher compared to RM32.59 million in the same quarter last year. However, profit before tax was lower at RM4.43 million as compared to RM6.55 million previously.

The performance of the operating business segments is as follows:

Manufacturing segment – Turnover for the quarter was RM9.91 million higher due to increase in sales of ethanol and resins division by 22.2% and 38.1% respectively. Consequently operational profit before tax was also higher attributable to higher sales volume, improved selling prices and better margins

Investment segment – Profit before tax of RM1.40 million was significantly lower by RM4.49 million mainly due to the gains on disposal of quoted investments amounted to RM4.14 million in the previous corresponding period.

Trading segment – Profit before tax of RM0.13 million was marginally higher due to lower other operating expenses.

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

The Group registered a turnover of RM145.34 million compared to RM124.56 million in the last financial year. Profit before tax was also higher at RM10.75 million as compared to RM10.07 million previously.

The performance of the operating business segments is as follows:

Manufacturing segment – Turnover for the period was RM21.68 million higher contributed mainly by the substantial increase of 39.9% in sales of the ethanol division and 9.6% in sales of the resins division. Consequently profit before tax increased by RM5.36 million.

Investment segment – Profit before tax of RM3.27 million was significantly lower by RM4.78 million mainly due to the gains on disposal of quoted investments of RM4.19 million in the previous financial year.

Trading segment – Turnover was down marginally to RM2.59 million, however, profit before tax was higher at RM0.54 million mainly attributable to lower other operating expenses.



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B2. Comparison of results for the 4th Quarter of FY 2014 against 3rd Quarter of FY 2014

The Group registered significantly higher turnover of RM42.08 million for the fourth quarter. As a result, profit before tax improved substantially to RM4.43 million from RM1.72 million previously which was mainly due to the improved performance of the resins division.

B3. Prospects

The Group will continue to focus on improving profitability by increasing the market share of its products and production efficiency in its manufacturing divisions. On the assumption that the current economic environment will persist, the Board expects the performance of the Group for the financial year ending 30 June 2015 to be better than the year just ended 30 June 2014.

B4. Comparison with profit forecast

This note is not applicable.

B5. Income tax expenses

Taxation comprises:

	Current quarter ended 30/06/2014	Current year to date 30/06/2014
	RM'000	RM'000
Estimated current Malaysian taxation	1,111	2,608
Deferred taxation	(95)	(444)
	<u>1,016</u>	<u>2,164</u>

The effective tax rate of the Group for the current year 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 30/06/2014 RM'000	Current year to date 30/06/2014 RM'000
Depreciation and amortization	1,306	5,448
Inventories written off	18	144
Interest expense	29	62
Property, plant and equipment written off	7	60
Income from financial assets designated as at FVTPL	(269)	(1,147)
Interest income	(194)	(812)
Net foreign exchange loss/(gain)	2	(19)

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 30 June 2014 was due to the utilisation of trade facility from a licensed bank bearing interest at rate of 4.33% per annum.

B9. Changes in material litigation

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



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B10. Dividend

- (a) A first and final dividend of 4.0 sen net per ordinary share of 50 sen each comprising single-tier dividend of 8.0% in respect of the financial year ended 30 June 2014 has been recommended by the Directors which is subject to the approval of the shareholders at the forthcoming Annual General Meeting.
- (b) The first and final dividend paid for the previous financial year ended 30 June 2013 was 4.0 sen net per ordinary share of 50 sen each comprising dividend of 8.0%, less tax and a tax-exempt dividend of 2.0%.
- (c) The date of payment of the recommended final dividend shall be determined by the Directors and announced at a later date.

B11. Earnings per share

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

	Current quarter ended 30/06/2014	Current year to date 30/06/2014
Net profit attributable to owners of the Company (RM'000)	3,118	8,079
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>1.5</u>	<u>4.0</u>



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B12. Disclosure of realised and unrealised profits

	As at 30/06/2014 RM'000	As at 30/06/2013 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	103,547	103,638
- Unrealised	6,016	5,861
	<hr/>	<hr/>
Total group retained profits as per consolidated accounts	109,563	109,499

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 27 August 2014.