



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the First Quarter ended 30 September 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 2014 except for Amendments to the Malaysian Financial Reporting Standards (“MFRS”) and IC Interpretations (“IC Int.”) that are applicable to the Group for financial period beginning 1 July 2014:

Amendments to the following MFRSs:

MFRS 2	Share-based Payment (Annual Improvements 2010-2012 Cycle)
MFRS 3	Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
MFRS 8	Operating Segments (Annual Improvements 2010-2012 Cycle)
MFRS 10	Consolidated Financial Statements: Investment Entities
MFRS 12	Disclosure of Interest in Other Entities: Investment Entities
MFRS 13	Fair Value Measurements (Annual Improvements 2011-2013 Cycle)
MFRS 116	Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
MFRS 119	Employee Benefits- Defined Benefit Plans : Employee Contributions
MFRS 124	Related Party Disclosure (Annual Improvements 2010-2012 Cycle)
MFRS 127	Investment Entities
MFRS 132	Offsetting Financial Assets and Financial Liabilities
MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
MFRS 138	Intangible Assets (Annual Improvements 2010-2012 Cycle)
MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
MFRS 140	Investment Property (Annual Improvements 2011-2013 Cycle)

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

A2. Audit report

The audit report for the financial year ended 30 June 2014 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

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 single-tier dividend of 8.0% by the Board of Directors in respect of the financial year ended 30 June 2014 will be paid on 10 December 2014, subject to the approval by the shareholders at the forthcoming Annual General Meeting to be held on 22 November 2014.



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A8. Segment revenue and segment result

Information on business segments for the financial period ended 30 September 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	38,301	295	665	-	-	39,261
Inter-segment sales	499	-	5,026	-	(5,525)	-
Total revenue	38,800	295	5,691	-	(5,525)	39,261
RESULT						
Operating profit	5,353	385	159	18	56	5,971
Interest expense						(10)
Interest income						212
Taxation						(1,396)
Profit after tax						4,777

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 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

1st Quarter of FY 2015 compared with 1st Quarter of FY 2014

The Group achieved a higher turnover of RM39.26 million compared to RM31.44 million in the same financial period last year. Profit before tax was also higher at RM6.17 million as compared to RM1.19 million previously.

The performance of the operating business segments is as follows:

Manufacturing segment – Turnover for the quarter was RM38.30 million compared to RM30.42 million in the previous corresponding quarter. The turnover of the ethanol and resins division improved substantially by 39% and 19% respectively. Consequently, profit before tax for the segment improved substantially by RM4.9 million contributed by the improved results of both the ethanol and resins division.

Investment segment – Profit before tax was almost the same as the previous corresponding quarter.

Trading segment – Turnover reduced 7.0% to RM0.67 million and profit before tax increased marginally to RM0.12 million.

B2. Comparison of results for the 1st Quarter of FY 2015 against immediate preceding 4th Quarter of FY 2014

The Group registered a 6.7% lower revenue of RM39.26 million as compared to the immediate preceding quarter of RM42.08 million. However, the corresponding profit before tax at RM6.17 million was higher by RM1.74 million mainly due to lower manufacturing cost in the manufacturing segment.

B3. Prospects

Although the first quarter's performance is significantly better than the performance of the previous quarter and substantially better than the same period last year, we would be under pressure to maintain similar profitability for the remaining quarters of the current financial year. This was because we were fortunate to acquire some raw materials at favourable prices. We expect raw materials prices and service charges to increase in anticipation of the implementation of GST by the Government. However, we are confident that we shall be able to report higher profits this financial year end compared to the previous year.



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B4. Comparison with profit forecast

This note is not applicable.

B5. Income tax

Taxation comprises:

	Current quarter ended 30/09/2014	Current year to date 30/09/2014
	RM'000	RM'000
Estimated current Malaysian taxation	1,498	1,498
Deferred taxation	(102)	(102)
	<u>1,396</u>	<u>1,396</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 30/09/2014	Current year to date 30/09/2014
	RM'000	RM'000
Depreciation and amortisation	1,296	1,296
Interest expense	10	10
Interest income	(212)	(212)
Income from financial assets designated as at FVTPL	(273)	(273)
Net foreign exchange loss	10	10

Other than the above items, there were no provision for and write off of receivables, provision for and write off of inventory, 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 or 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 30/09/2014	Current year to date 30/09/2014
Net profit attributable to ordinary shareholders (RM'000)	<u>4,157</u>	<u>4,157</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><u>2.1</u></u>	<u><u>2.1</u></u>



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B12. Disclosure of realised and unrealised profits

	As at 30/09/2014 RM'000	As at 30/06/2014 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	107,674	103,547
- Unrealised	6,045	6,015
	<hr/>	<hr/>
Total group retained profits as per consolidated accounts	113,719	109,562

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 21st November 2014.