



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Second Quarter ended 31 December 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 subjected 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

No dividend was proposed 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 was approved by the shareholders at the 45th Annual General Meeting on 22 November 2014. The dividend amounting to RM8.015 million was paid on 10 December 2014.



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A8. Segment revenue and segment result

Information on business segments for the financial period ended 31 December 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	74,426	1,471	1,261	-	-	77,158
Inter-segment sales	954	-	8,006	-	(8,960)	-
Total revenue	75,380	1,471	9,267	-	(8,960)	77,158
RESULT						
Operating profit	9,522	1,701	228	41	56	11,548
Interest expense						(14)
Interest income						424
Taxation						(2,451)
Profit after tax						9,507

A9. Material subsequent event

On 30 January 2015, Hexza Corporation Berhad entered into a Sale and Purchase and Lease Agreement with Tembusu Industries Pte Ltd, a company incorporated in Singapore, for the purchase and lease back of part of the equipment for a 8MW Heavy Fuel Oil Power Generation System (Equipment) to be located at Kauthaung, Myanmar, at a purchase consideration of USD6.0 million.

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) 2nd Quarter of FY 2015 compared with 2nd Quarter of FY 2014

The Group registered a higher turnover of RM37.90 million compared to RM36.29 million in the same quarter last year. Profit before tax was also higher at RM5.78 million as compared to RM3.41 million previously.

The performance of the operating business segments is as follows:

Manufacturing segment – Turnover for the quarter was higher by RM1.03 million solely contributed by the increase in ethanol sales by 12.0% as the resins division showed a small drop in turnover by 1.5%. However, the improvement in profit before tax was mainly contributed by the improved results of the resins division due to lower raw material cost.

Investment segment – Profit before tax of RM1.57 million was higher by RM0.80 million compared to the same quarter last year partly due to gain on disposal of quoted investment and higher dividend income from quoted investments.

Trading segment – Turnover was 12.5% lower and profit before tax decreased to RM0.07 million.

(b) Current year-to-date compared with year-to-date of FY 2014

The Group registered higher turnover of RM77.16 million compared to RM67.73 million in the same period last year. Profit before tax was also higher at RM11.96 million as compared to RM4.60 million previously.

The performance of the operating business segments is as follows:

Manufacturing segment – Turnover for the half year increased by 13.6% or RM8.91 million higher, contributed by the improvement of both ethanol and resins division. The turnover of the resins division increased mainly due to higher average selling prices. The turnover of the ethanol division increased mainly due to increase in sales volume by 37.3%, however, the increase was offset by the drop in average selling price by 6.1%. These contributed to the significant increase in profit before tax by RM6.57 million.

Investment segment – Profit before tax of RM2.02 million was higher mainly due to higher dividend income from quoted investments and gain on disposal of quoted investment.



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Trading segment – Turnover dropped by 9.6% and profit before tax decreased to RM0.22 million.

B2. Comparison of results for the 2nd Quarter of FY 2015 against 1st Quarter of FY 2015

The Group registered a lower turnover and profit before tax of RM37.90 million and RM5.79 million respectively for the second quarter, representing a reduction of 3.5% and 6.3% respectively when compared to the first quarter.

B3. Prospects

The current Malaysian economic outlook is hampered by the drastic drop in crude oil price and further aggravated by the weakening of the Ringgit Malaysia against the US Dollar. These factors may pose challenges to the Group's operational profitability in the second half of the financial year. Nevertheless, the Directors are confident that the operational performance for the second half of the financial year will be satisfactory although not as good as the first half of the financial year.

B4. Comparison with profit forecast

This note is not applicable.

B5. Income tax

Taxation comprises:

	Current quarter ended 31/12/2014	Current year to date 31/12/2014
	RM'000	RM'000
Estimated current Malaysian taxation	1,024	2,522
Deferred taxation	31	(71)
	<u>1,055</u>	<u>2,451</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 31/12/2014 RM'000	Current year to date 31/12/2014 RM'000
Depreciation and amortisation	1,296	2,431
Cumulative gain reclassified from equity on disposal of available-for-sale investments	(160)	-
Loss on disposal of available-for-sale investment	50	-
Interest expense	4	14
Interest income	(212)	(424)
Income from financial assets designated as at FVTPL	(267)	(540)
Net foreign exchange loss	3	13

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.

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.



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B10. Dividend

No interim dividend was declared for the current financial period to date.

B11. Earnings per share

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

	Current quarter ended 31/12/2014	Current year to date 31/12/2014
Net profit attributable to ordinary shareholders (RM'000)	<u>4,266</u>	<u>8,423</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>2.1</u>	<u>4.2</u>

B12. Disclosure of realised and unrealised profits

	As at 31/12/2014 RM'000	As at 30/06/2014 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	104,027	103,547
- Unrealised	<u>5,943</u>	<u>6,015</u>
Total group retained profits as per consolidated accounts	<u>109,970</u>	<u>109,562</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 10 February 2015.