



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Third Quarter ended 31 March 2015

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

There was no dividend paid during the current financial quarter.

A final single-tier dividend of 8.0% amounting to RM8.015 million in respect of the previous financial year ended 30 June 2014 was paid by the Company on 10th December 2014.



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A8. Segment revenue and segment result

Information on business segments for the financial period ended 31 March 2015 is as follows:

	Manufacturing RM'000	Investment RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE						
External sales	109,477	1,903	1,628	-		113,008
Inter-segment sales	1,217	2,430	12,066	-	(15,713)	-
Total revenue	110,694	4,333	13,694	-	(15,713)	113,008
RESULT						
Operating profit	12,476	4,389	297	20	(2,374)	14,808
Interest expense						(20)
Interest income						889
Taxation						(3,607)
Profit after tax						12,070

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 statement for the quarter ended 31 March 2015.

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) 3rd Quarter of FY 2015 compared with 3rd Quarter of FY 2014

Group turnover of RM35.85 million for the current quarter was marginally higher as compared to RM35.54 million in the previous corresponding quarter. Profit before tax was however significantly higher at RM3.72 million as compared to RM1.72 million previously.

Performance of the respective operating business segments is as follows:

Manufacturing segment – Turnover for ethanol division improved from RM11.13 million to RM14.24 million mainly due to increase in sales volume. This increase was nullified by the drop in turnover of the resins division from RM23.49 million to RM20.71 million mainly due to drop in sales volume and average selling price. However, the improvement in profit before tax of RM3.72 million was mainly contributed by the improved results of the resins division due to lower production cost.

Investment segment – Profit before tax of RM0.45 million was lower by RM0.04 million compared to the same quarter last year partly due to loss on disposal of quoted investment.

Trading segment – Turnover was 31.3% lower and profit before tax decreased to RM0.07 million mainly due to drop in sales volume by 36.6%.

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

The Group achieved a turnover of RM113.01 million, which is 9.4% higher than RM103.26 million in the previous corresponding period. Group profit before tax of RM15.68 million was also higher as compared to RM6.32 million previously.

Performance of the respective operating business segments is as follows:

Manufacturing segment – Turnover increased by RM9.22 million to RM109.48 million or 9.2% in the period mainly due to increase in sales volume of ethanol products by 26.9%. Profit before tax of RM12.72 million was also higher as compared to RM3.99 million mainly due to higher profit contribution from the resins division as the production cost was lower by 18.7%.

Investment segment – Profit before tax of RM2.65 million was higher as compared to RM1.87 million in the previous corresponding period mainly due to higher dividend income from quoted investments.

Trading segment – Turnover dropped by 15.6% and profit before tax decreased to RM0.29 million.



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B2. Comparison of results for the 3rd Quarter of FY 2015 against 2nd Quarter of FY 2015

The Group registered a lower turnover and profit before tax of RM35.85 million and RM3.72 million respectively for the third quarter, representing a reduction of 5.4% and 35.7% respectively when compared to the immediate previous second quarter.

B3. Prospects

The Group's operating environment continues to be challenging and competitive for the fourth quarter, however the Board expects the performance for the remaining quarter to be satisfactory and the performance for the current financial year will be significantly better than that achieved in the previous financial year ended 30th June 2014.

B4. Comparison with profit forecast

This note is not applicable.

B5. Income tax

Taxation comprises:

	Current quarter ended 31/03/2015	Current year to date 31/03/2015
	RM'000	RM'000
Estimated current Malaysian taxation	1,386	3,908
(Over)/under provision in prior years	(3)	(3)
Deferred taxation	(227)	(298)
	<u>1,156</u>	<u>3,607</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 31/03/2015 RM'000	Current year to date 31/03/2015 RM'000
Depreciation and amortisation	1,047	3,478
Cumulative loss reclassified from equity on disposal of available-for-sale investments	424	264
Gain on disposal of available-for-sale investment	(299)	(249)
Interest expense	6	20
Interest income	(465)	(889)
Income from financial assets designated as at FVTPL	(235)	(775)
Net foreign exchange loss	63	76

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.

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 31/03/2015	Current year to date 31/03/2015
Net profit attributable to ordinary shareholders (RM'000)	<u>2,311</u>	<u>10,734</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>1.2</u>	<u>5.4</u>

B12. Disclosure of realised and unrealised profits

	As at 31/03/2015 RM'000	As at 30/06/2014 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	106,184	103,547
- Unrealised	<u>6,098</u>	<u>6,015</u>
Total group retained profits as per consolidated accounts	<u>112,282</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 15th May 2015.