



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 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.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 2015

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.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 2015

A8. Segment revenue and segment result

Information on business segments for the financial period ended 30 June 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	145,634	2,917	1,628	-	-	150,179
Inter-segment sales	1,222	7,627	14,218	-	(23,068)	-
Total revenue	146,856	10,544	15,846	-	(23,068)	150,179
RESULT						
Operating profit	15,145	10,579	273	(13)	(7,606)	18,378
Interest expense						(28)
Interest income						1,008
Taxation						(3,844)
Profit after tax						15,514

A9. Material subsequent event

There were no material events subsequent to the end of the financial period ended 30 June 2015 that have not been reflected in the financial statements except the following:

On 8th July 2015, Norsechem Resins Sdn. Berhad, a wholly-owned subsidiary of the Company had entered into a Sale & Purchase Agreement with Crystal Dignity (M) Sdn. Bhd. for the disposal of a piece of leasehold industrial land and buildings erected thereon for a total cash consideration of RM17.0 million. Pending and subject to the completion of the sale, the transaction has not been taken up in the Group Accounts. The disposal is expected to be completed in the third quarter of the financial year ending 30 June 2016.

A10. Change in composition of the Group

There are no changes in the composition of the Group for the current financial period to date.

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.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 2015

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of performance

(a) 4th Quarter of FY 2015 compared with 4th Quarter of FY 2014

The Group recorded a lower turnover of RM37.17 million for the current quarter, 11.6% lower compared to RM42.08 million in the previous corresponding quarter. Profit before tax at RM3.68 million was also lower, by 16.9% as compared to RM4.43 million previously.

Performance of the respective operating business segments is as follows:

Manufacturing segment – Turnover for resin division dropped by 22.5% from RM27.07 million to RM21.00 million mainly due to lower sales volume and lower average selling price. Turnover for ethanol division jumped by 15.0% from RM13.12 million to RM15.09 million mainly due to increase in average selling price. Profit before tax dropped by 6.2% to RM2.72 million from RM2.80 million previously.

Investment segment – Profit before tax of RM1.07 million was lower by RM0.32 million compared to the same quarter last year partly due to lower dividend income from quoted shares and lower interest income from other investments.

Trading segment – The Group has stopped its trading in ethanol products with effect from 1 April 2015.

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

The Group recorded a higher turnover of RM150.18 million compared to RM145.34 million in the last financial year. Group profit before tax of RM19.36 million was also higher as compared to RM10.75 million previously.

Performance of the respective operating business segments is as follows:

Manufacturing segment – Turnover increased by RM5.10 million to RM145.63 million in the financial year mainly due to increase in sales volume of ethanol products by 18.3%. Profit before tax of RM15.44 million was significantly higher as compared to RM6.88 million mainly due to higher profit contribution from the resins division as the production cost was lower mainly as a result of lower raw material prices.

Investment segment – Profit before tax of RM3.72 million was higher as compared to RM3.27 million in the previous corresponding period mainly due to higher dividend income from quoted investments.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 2015

Trading segment – Turnover dropped by 37.2% and profit before tax decreased to RM0.26 million mainly due to the cessation of trading in ethanol products effective 1 April 2015.

B2. Comparison of results for the 4th Quarter of FY 2015 against 3rd Quarter of FY 2015

The Group recorded a higher turnover of RM37.17 million for the fourth quarter, representing slight increase of 3.7% as compared to the immediate previous third quarter of RM35.85 million. Profit before tax at RM3.68 million was marginally lower when compared to RM3.72 million in the immediate preceding quarter.

B3. Prospects

Prospects in the current financial year are expected to remain challenging. However, the Group will continue to focus on improving productivity and tighten cost control by increasing market shares of its products and production efficiency in its manufacturing divisions. With the commencement of the lease income from sale and leaseback of equipment in Myanmar, the Board expects the performance of the Group for the current financial year to be comparable to the financial year just ended 30th June 2015 bearing in mind the current economic environment.

B4. Comparison with profit forecast

This note is not applicable.

B5. Income tax

Taxation comprises:

	Current quarter ended 30/06/2015	Current year to date 30/06/2015
	RM'000	RM'000
Estimated current Malaysian taxation	1,052	4,960
(Over)/under provision in prior years	(369)	(372)
Deferred taxation	(445)	(744)
	<u>238</u>	<u>3,844</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.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 2015

B6. Profit before taxation

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

	Current quarter ended 30/06/2015 RM'000	Current year to date 30/06/2015 RM'000
Depreciation and amortisation	1,032	4,510
Inventories written off	82	82
Cumulative loss reclassified from equity on disposal of available-for-sale investments	-	264
Gain on disposal of available-for-sale investment	-	(249)
Interest expense	8	28
Interest income	(120)	(1,008)
Income from financial assets designated as at FVTPL	(229)	(1,004)
Net foreign exchange loss	34	110
Allowance for doubtful debts	331	331

Other than the above items, there were no 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.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 2015

B10. Dividend

- (a) A first and final dividend of 4.5 sen per ordinary share of 50 sen each comprising single-tier dividend of 9.0% in respect of the financial year ended 30 June 2015 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 2014 was 4.0 sen per ordinary share of 50 sen each comprising single-tier dividend of 8.0%.
- (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 30/06/2015	Current year to date 30/06/2015
Net profit attributable to ordinary shareholders (RM'000)	<u>3,296</u>	<u>14,031</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>1.6</u>	<u>7.0</u>

B12. Disclosure of realised and unrealised profits

	As at 30/06/2015 RM'000	As at 30/06/2014 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	109,114	103,547
- Unrealised	<u>6,471</u>	<u>6,016</u>
Total group retained profits as per consolidated accounts	<u>115,585</u>	<u>109,563</u>



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Fourth Quarter ended 30 June 2015

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 26th August 2015.