



## **HEXZA CORPORATION BERHAD** (8705-K)

### **Interim Report on Consolidated Results for the First Quarter ended 30 September 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 2015.

The Group has adopted all applicable accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) except for those which are not yet effective. The initial adoption of the accounting standards, amendments and interpretations that are effective in the current financial period does not have any significant impact on the Group’s financial statements.

##### **A2. Audit report**

The audit report for the financial year ended 30 June 2015 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 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.



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**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 9.0% by the Board of Directors in respect of the financial year ended 30 June 2015 will be paid on 10 December 2015, subject to the approval by the shareholders at the forthcoming Annual General Meeting to be held on 20 November 2015.

**A8. Segment revenue and segment result**

Information on business segments for the financial period ended 30 September 2015 is as follows:

	Manufacturing RM'000	Investment RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>REVENUE</b>						
External sales	36,849	422	-	-	-	37,271
Inter-segment sales	26	-	4,256	-	(4,282)	-
Total revenue	36,875	422	4,256	-	(4,282)	37,271
<b>RESULT</b>						
Operating profit	2,652	4,836	12	(15)	49	7,534
Interest expense						(6)
Interest income						1,562
Taxation						(946)
Profit after tax						8,144

**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 2015.



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#### **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 other than the cessation of manufacturing operation of a subsidiary company announced previously.

#### **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.

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

#### **B1. Review of performance**

##### **1<sup>st</sup> Quarter of FY 2016 compared with 1<sup>st</sup> Quarter of FY 2015**

The Group registered a lower turnover of RM37.27 million as compared to RM39.26 million in the same financial period last year. Profit before tax was higher at RM9.09 million as compared to RM6.17 million previously.

The performance of the operating business segments is as follows:

Manufacturing segment – Turnover for the quarter was RM36.85 million compared to RM38.30 million in the previous corresponding quarter. The lower turnover was directly attributable to the cessation of operation of a subsidiary in August 2015 partly mitigated by the turnover of the ethanol division which improved by 13%. Profit before tax for the segment declined by RM2.62 million mainly due to higher raw material cost by approximately 23% resulted from the depreciation of the Ringgit against US Dollar.

Investment segment – Profit before tax is higher when compared to previous corresponding quarter mainly due to the commencement of the lease income and unrealized foreign exchange gain of RM4.70 million.

Trading segment – Turnover dropped by 25.2% and profit before tax decreased to approximately RM10,500 mainly due to the cessation of trading in ethanol products effective 1 April 2015.



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#### **B2. Comparison of results for the 1<sup>st</sup> Quarter of FY 2016 against immediate preceding 4<sup>th</sup> Quarter of FY 2015**

The Group registered a marginal increase in revenue from RM37.17 million to RM37.27 million. However, the corresponding profit before tax was higher at RM9.09 million compared to RM3.68 million previously mainly due to higher interest income and unrealized foreign exchange gain of RM4.70 million in the investment segment.

#### **B3. Prospects**

The business sentiment remains challenging due to the prevailing global economic conditions. The weakening of the Ringgit against US Dollar contributes to the rising costs in raw materials poses a major concern. The closure of a loss making subsidiary's operation and commencement of the lease income will help to improve the Group's performance for the current financial year.

#### **B4. Comparison with profit forecast**

This note is not applicable.

#### **B5. Income tax**

Taxation comprises:

	Current quarter ended 30/09/2015 RM'000	Current year to date 30/09/2015 RM'000
Estimated current Malaysian taxation	988	988
Deferred taxation	(42)	(42)
	<u>946</u>	<u>946</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 30/09/2015 RM'000	Current year to date 30/09/2015 RM'000
Depreciation and amortisation	1,004	1,004
Loss on disposal of available-for-sale investment	23	23
Allowance for diminution in value of quoted shares	64	64
Interest expense	6	6
Interest income	(1,562)	(1,562)
Income from financial assets designated as at FVTPL	(203)	(203)
Net foreign exchange gain	(4,434)	(4,434)

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 quarter under review.



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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 30/09/2015	Current year to date 30/09/2015
Net profit attributable to ordinary shareholders (RM'000)	<u>7,886</u>	<u>7,886</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>3.9</u>	<u>3.9</u>

#### B12. Disclosure of realised and unrealised profits

	As at 30/09/2015 RM'000	As at 30/06/2015 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	116,741	109,114
- Unrealised	<u>6,730</u>	<u>6,471</u>
Total group retained profits as per consolidated accounts	<u>123,471</u>	<u>115,585</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 19th November 2015.