



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

### **Interim Report on Consolidated Results for the Second Quarter ended 31<sup>st</sup> December 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**

No dividend was proposed 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 was approved by the shareholders at the 46<sup>h</sup> Annual General Meeting on 19 November 2015. The dividend amounting to RM9.018 million was paid on 10 December 2015.

**A8. Segment revenue and segment result**

Information on business segments for the financial period ended 31 December 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	72,446	1,473	-	-	-	73,919
Inter-segment sales	26	-	10,510	-	(10,536)	-
Total revenue	72,472	1,473	10,510	-	(10,536)	73,919
<b>RESULT</b>						
Operating profit	5,309	4,306	52	(31)	49	9,685
Interest expense						(9)
Interest income						3,243
Taxation						(1,811)
Profit after tax						11,108

**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 31 December 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**

##### **(a) 2<sup>nd</sup> Quarter of FY 2016 compared with 2<sup>nd</sup> Quarter of FY 2015**

The Group registered a lower turnover of RM36.65 million as compared to RM37.90 million in the same quarter last year. Profit before tax was lower at RM3.83 million as compared to RM5.79 million previously.

The performance of the operating business segments is as follows:

Manufacturing segment – Turnover for the quarter was marginally lower at RM35.60 million compared to RM36.13 million in the previous corresponding quarter. The drop in turnover was directly attributable to the cessation of operation of a subsidiary in August 2015. However, this was substantially mitigated by the increase in turnover of the ethanol division. Profit before tax for the segment declined by RM1.42 million mainly due to the impact of higher raw material cost due to the depreciation of Ringgit Malaysia against the US Dollar and drop in average selling price in the resins division.

Investment segment – Profit before tax was lower when compared to the same quarter last year mainly due to a reversal of an unrealized foreign exchange gain of RM0.83 million and impairment loss on quoted shares of RM0.53 million.

Trading segment – Profit before tax decreased to approximately RM38,000 mainly due to the cessation of trading in ethanol products effective 1 April 2015.



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#### **(b) Current year-to-date compared with year-to-date of FY 2015**

The Group registered a lower turnover of RM73.92 million compared to RM77.16 million in the same period last year. However, profit before tax was higher at RM12.92 million as compared to RM11.96 million previously.

The performance of the operating business segments is as follows:

Manufacturing segment – Turnover for the half year declined slightly by 2.7% or RM1.98 million from RM74.43 million to RM72.45 million. The drop in turnover was directly attributable to the cessation of operation of a subsidiary in August 2015. This was partly mitigated by the increase in turnover of the ethanol division. Profit before tax for the segment declined by RM4.03 million to RM5.41 million mainly due to the impact of higher average raw material cost and drop in average selling price in the resins division.

Investment segment – Profit before tax was higher by RM5.29 million mainly due to the commencement of the lease income and unrealized foreign exchange gain of RM3.86 million.

Trading segment – Profit before tax decreased to approximately RM49,000 mainly due to the cessation of trading in ethanol products effective 1 April 2015.

#### **B2. Comparison of results for the 2<sup>nd</sup> Quarter of FY 2016 against immediate preceding 1<sup>st</sup> Quarter of FY 2016**

The Group registered a slight drop in revenue from RM37.27 million to RM36.65 million. However, the corresponding profit before tax was much lower at RM3.83 million compared to RM9.09 million previously. The difference was mainly due an unrealized foreign exchange gain of RM4.70 million in the 1<sup>st</sup> quarter as against a reversal of an unrealized foreign exchange gain of RM0.83 million in the 2<sup>nd</sup> quarter.

#### **B3. Prospects**

In view of the uncertainties in the current global economic outlook plus the weakened Ringgit Malaysia against the US Dollar, the operational performance of the group would be challenging for the remaining financial year.

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

This note is not applicable.



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#### B5. Income tax

Taxation comprises:

	Current quarter ended 31/12/2015 RM'000	Current year to date 31/12/2015 RM'000
Estimated current Malaysian taxation	915	1,903
Deferred taxation	(50)	(92)
	<u>865</u>	<u>1,811</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 31/12/2015 RM'000	Current year to date 31/12/2015 RM'000
Depreciation and amortisation	962	1,966
Cumulative gain reclassified from equity on disposal of available-for-sale-investments	-	(20)
Loss on disposal of available-for-sale investment	-	43
Allowance for diminution in value of quoted shares	470	534
Interest expense	3	9
Interest income	(1,681)	(3,243)
Income from financial assets designated as at FVTPL	(166)	(369)
Net realized foreign exchange loss	225	225
Net unrealized foreign exchange (gain)/loss	572	(3,862)

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 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 31/12/2015	Current year to date 31/12/2015
Net profit attributable to ordinary shareholders (RM'000)	<u>2,719</u>	<u>10,605</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>1.4</u>	<u>5.3</u>



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

	As at 31/12/2015 RM'000	As at 30/06/2015 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	110,751	109,114
- Unrealised	6,421	6,471
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Total group retained profits as per consolidated accounts	117,172	115,585

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 28<sup>th</sup> January 2016.