



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Third Quarter ended 31st March 2016

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 46th Annual General Meeting on 20 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 March 2016 is as follows:

	Manufacturing RM'000	Investment RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE						
External sales	104,775	1,834	-	-	-	106,609
Inter-segment sales	26	1,845	13,647	-	(15,518)	-
Total revenue	104,801	3,679	13,647	-	(15,518)	106,609
RESULT						
Operating profit	9,241	3,364	22	(55)	(1,795)	10,777
Interest expense						(14)
Interest income						4,869
Taxation						(2,895)
Profit after tax						12,737

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 March 2016.



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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) 3rd Quarter of FY 2016 compared with 3rd Quarter of FY 2015

The Group registered a lower turnover of RM32.69 million as compared to RM35.85 million in the same quarter last year. Profit before tax was lower at RM2.71 million as compared to RM3.72 million previously.

The performance of the operating business segments is as follows:

Manufacturing segment – Turnover for the quarter was lower at RM32.33 million compared to RM35.05 million in the previous corresponding quarter. The drop in turnover was directly attributable to the cessation of operation of a subsidiary in August 2015. Profit before tax for this segment improved by RM0.75 million to RM4.03 million was mainly due to lower production cost.

Investment segment – Loss before tax of RM1.26 million was reported this quarter mainly due to a reversal of an unrealized foreign exchange gain of RM2.51 million and impairment loss on quoted shares of RM0.80 million.

Trading segment – Loss before tax was reported this quarter 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 RM106.61 million compared to RM113.01 million in the same period last year. Profit before tax was marginally lower at RM15.63 million as compared to RM15.68 million previously.

The performance of the operating business segments is as follows:

Manufacturing segment – Turnover dropped by 4.3% or RM4.70 million from RM109.48 million to RM104.78 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 RM3.28 million to RM9.44 million mainly due to the impact of higher average raw material cost.

Investment segment – Profit before tax was higher by RM3.58 million mainly due to the commencement of the finance lease income and unrealized foreign exchange gain of RM1.35 million.

Trading segment – Profit before tax decreased to approximately RM16,000 mainly due to the cessation of trading in ethanol products effective 1 April 2015.

B2. Comparison of results for the 3rd Quarter of FY 2016 against immediate preceding 2nd Quarter of FY 2016

The Group registered a drop in revenue from RM36.65 million to RM32.69 million. Profit before tax was lower at RM2.71 million compared to RM3.83 million previously. The difference was mainly due a reversal of an unrealized foreign exchange gain of RM2.51 million in the 3rd quarter.

B3. Prospects

As there remain uncertainties in the current global economic situation plus the weakened Ringgit Malaysia against the US Dollar, the operational performance of the Group would be challenging for the remaining financial year. The Board is confident that the Group will achieve operating profits for the financial year ending 30th June 2016.

B4. Comparison with profit forecast

This note is not applicable.



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B5. Income tax

Taxation comprises:

	Current quarter ended 31/03/2016 RM'000	Current year to date 31/03/2016 RM'000
Estimated current Malaysian taxation	1,194	3,097
Deferred taxation	(98)	(190)
	<u>1,096</u>	<u>2,907</u>
Over provision in prior years - income tax	(12)	(12)
	<u>1,084</u>	<u>2,895</u>

The effective tax rate of the Group for the current year 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 31/03/2016 RM'000	Current year to date 31/03/2016 RM'000
Depreciation and amortisation	934	2,900
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	270	804
Interest expense	5	14
Interest income	(1,626)	(4,869)
Income from financial assets designated as at FVTPL	(37)	(406)
Net realized foreign exchange (gain)/loss	(37)	188
Net unrealized foreign exchange (gain)/loss	2,508	(1,354)



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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.

B11. Earnings per share

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

	Current quarter ended 31/03/2016	Current year to date 31/03/2016
Net profit attributable to ordinary shareholders (RM'000)	<u>1,279</u>	<u>11,884</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>0.6</u>	<u>5.9</u>



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B12. Disclosure of realised and unrealised profits

	As at 31/03/2016 RM'000	As at 30/06/2015 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	112,005	109,114
- Unrealised	6,446	6,471
Total group retained profits as per consolidated accounts	<u>118,451</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 12th May 2016.