



HEXZA CORPORATION BERHAD (8705-K)

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

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 30 June 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	138,276	3,156	-	-	-	141,432
Inter-segment sales	583	8,550	17,290	-	(26,423)	-
Total revenue	138,859	11,706	17,290	-	(26,423)	141,432
RESULT						
Operating profit	12,815	9,720	16	(88)	(8,568)	13,895
Interest expense						(18)
Interest income						6,824
Taxation						(3,422)
Profit after tax						17,279

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 June 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) 4th Quarter of FY 2016 compared with 4th Quarter of FY 2015

The Group recorded a lower turnover of RM35.38 million as compared to RM37.17 million in the same quarter last year. Profit before tax at RM5.07 million was higher against RM3.68 million in previous corresponding quarter.

The performance of the operating business segments is as follows:

Manufacturing segment – Turnover for the quarter was lower at RM34.06 million compared to RM36.16 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 increased by 45.2% from RM2.72 million to RM3.95 million was mainly due to lower production cost.

Investment segment – profit before tax of RM1.16 million was only slightly higher by RM0.09 million as compared to RM1.07 million in the same quarter last year in spite of the commencement of the finance lease income in July 2015 as there was a fair value adjustment on reassessment of financial asset amounted to RM1.70 million which was recognized in Q4 FY2016 due to the revision of the finance lease rental installments.



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

The Group recorded a lower turnover of RM141.43 million compared to RM150.18 million in the last financial year. Profit before tax was higher at RM20.70 million as compared to RM19.39 million previously.

The performance of the operating business segments is as follows:

Manufacturing segment – Turnover dropped by 5.0% or RM7.36 million from RM145.63 million to RM138.28 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 RM2.05 million to RM13.39 million mainly due to cessation cost of a subsidiary.

Investment segment – Profit before tax was higher by RM3.67 million mainly due to the commencement of the finance lease income but this was partly set off by the fair value adjustment on reassessment of financial asset amounted to RM1.70 million due to the revision of the finance lease rental installments.

B2. Comparison of results for the 4th Quarter of FY 2016 against immediate preceding 3rd Quarter of FY 2016

The Group recorded an increase in revenue by 8.2% from RM32.69 million to RM35.38 million as compared to the immediate previous third quarter. Profit before tax was higher at RM5.07 million compared to RM2.71million previously.

B3. Prospects

Looking ahead, the Group expects the current global economic situation to remain challenging particularly the impact of the weak Ringgit Malaysia against US Dollar. This will create cost challenges for the Group. However, the Board is confident that the performance of the Group for the financial year ending 30th June 2017 to be comparable to the financial year just ended.

B4. Comparison with profit forecast

This note is not applicable.



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B5. Income tax

Taxation comprises:

	Current quarter ended 30/06/2016 RM'000	Current year to date 30/06/2016 RM'000
Estimated current Malaysian taxation	1,220	4,317
Deferred taxation	(501)	(691)
	<u>719</u>	<u>3,626</u>
Over provision in prior years		
- income tax	(177)	(189)
- deferred tax	(15)	(15)
	<u>527</u>	<u>3,422</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 30/06/2016 RM'000	Current year to date 30/06/2016 RM'000
Depreciation and amortisation	921	3,821
Cumulative gain reclassified from equity on disposal of available-for-sale-investments	-	(24)
Loss on disposal of available-for-sale investment	-	53
Allowance for doubtful debts	2	2
Allowance for doubtful debts no longer required	(331)	(331)
Inventories written off	585	585
Write down of inventories to net realisable value	94	94
Impairment for property, plant and equipment	733	733
Fair value adjustment on reassessment financial asset	1,701	1,701
Interest expense	4	18
Finance lease income	(1,374)	(5,743)
Interest income	(581)	(1,081)



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Net gain arising from financial assets designated as at FVTPL	(13)	(419)
Net unrealized loss/(gain) on foreign exchange	302	(1,052)

Other than the above items, there were no gain or loss on disposal of unquoted investment or properties, 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

- (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 2016 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 2015 was 4.5 sen per ordinary share of 50 sen each comprising single-tier dividend of 9.0%.
- (c) The date of payment of the recommended final dividend shall be determined by the Directors and announced at a later 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 30/06/2016	Current year to date 30/06/2016
Net profit attributable to ordinary shareholders (RM'000)	<u>4,116</u>	<u>15,999</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>2.1</u>	<u>8.0</u>

B12. Disclosure of realised and unrealised profits

	As at 30/06/2016 RM'000	As at 30/06/2015 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	114,626	109,113
- Unrealised	<u>7,939</u>	<u>6,471</u>
Total group retained profits as per consolidated accounts	<u>122,565</u>	<u>115,584</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 24th August 2016.