



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

### **Interim Report on Consolidated Results for the First Quarter ended 30<sup>th</sup> September 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<sup>th</sup> June 2016.

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<sup>th</sup> June 2016 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 except for the gain on disposal of non-current asset classified as held for sale by a subsidiary company amounting to RM6.63 million.

##### **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<sup>th</sup> June 2016 will be paid on 8<sup>th</sup> December 2016, subject to the approval by the shareholders at the forthcoming Annual General Meeting to be held on 19<sup>th</sup> November 2016.

#### A8. Segment revenue and segment result

Information on business segments for the financial period ended 30<sup>th</sup> September 2016 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	33,791	510	-	-	-	34,301
Inter-segment sales	25	-	3,822	-	(3,847)	-
Total revenue	33,816	510	3,822	-	(3,847)	34,301
<b>RESULT</b>						
Operating profit	11,608	1,857	(7)	(16)	67	13,509
Interest expense						(5)
Interest income						1,964
Taxation						(130)
Profit after tax						15,338

#### 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<sup>th</sup> September 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.

#### **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 2017 compared with 1<sup>st</sup> Quarter of FY 2016**

The Group recorded a lower turnover of RM34.30 million as compared to RM37.27 million in the same quarter last year. Profit before tax at RM15.47 million was higher against RM9.09 million in previous corresponding quarter.

The performance of the operating business segments is as follows:

Manufacturing segment – Turnover for the quarter was lower at RM33.79 million compared to RM36.85 million in the previous corresponding quarter. Both ethanol and resins division's turnover dropped mainly due to a drop in average selling price and no sale from Norsechem Resins Sdn Bhd in current quarter. Profit before tax for this segment increased by RM9.13 million from RM2.71 million to RM11.84 million mainly due to recognition of gain on disposal of non-current asset classified as held for sale as the sale transactions of Norsechem Resins Sdn Bhd were recognised during the current quarter.

Investment segment – profit before tax was lower mainly due to the unrealized foreign exchange gain of RM4.70 million recognized in the previous corresponding period as compared to RM1.62 million unrealized foreign exchange gain recognized in the current quarter.



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#### B2. Comparison of results for the 1<sup>st</sup> Quarter of FY 2017 against immediate preceding 4<sup>th</sup> Quarter of FY 2016

The Group recorded a marginal decrease in revenue by 3.0% from RM35.38 million to RM34.30 million. However, the corresponding profit before tax was significantly higher at RM15.47 million compared to RM5.07 million previously mainly due to gain on disposal of property, plant and equipment and non-current asset classified as held for sale of RM6.66 million and unrealized foreign exchange gain of RM1.62 million.

#### B3. Prospects

With Ringgit Malaysia remaining volatile against US Dollar, the Group is expected to deal with cost challenges as most of its raw materials are imported. Despite the challenging business environment faced by the Group, the Board of Directors expect the Group to remain profitable and the operating results to be comparable to the financial year ended 30<sup>th</sup> June 2016.

#### B4. Comparison with profit forecast

This note is not applicable.

#### B5. Income tax

Taxation comprises:

	Current quarter ended 30/09/2016 RM'000	Current year to date 30/09/2016 RM'000
Estimated current Malaysian taxation	1,389	1,389
Deferred taxation	(1,259)	(1,259)
	<u>130</u>	<u>130</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.



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#### B6. Profit before taxation

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

	Current quarter ended 30/09/2016 RM'000	Current year to date 30/09/2016 RM'000
Depreciation and amortisation	824	824
Reclassification of previously recognized fair value changes of available-for-sale-investments	(125)	(125)
Gain on disposal of available-for-sale investment	(11)	(11)
Gain on disposal of property, plant and equipment / non-current asset classified as held for sale	(6,658)	(6,658)
Property, plant and equipment written off	158	158
Interest expense	5	5
Finance lease income	(1,631)	(1,631)
Interest income	(333)	(333)
Net loss arising from financial assets designated as FVTPL	2	2
Net unrealized gain on foreign exchange	(1,620)	(1,620)

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, 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.



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#### B10. Dividend

No interim dividend was declared for the current quarter under review.

#### B11. Earnings per share

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

	Current quarter ended 30/09/2016	Current year to date 30/09/2016
Net profit attributable to ordinary shareholders (RM'000)	<u>14,810</u>	<u>14,810</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>7.4</u>	<u>7.4</u>

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

	As at 30/09/2016 RM'000	As at 30/06/2016 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	128,865	114,626
- Unrealised	<u>8,510</u>	<u>7,939</u>
Total group retained profits as per consolidated accounts	<u>137,375</u>	<u>122,565</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 18<sup>th</sup> November 2016.