

HEXZA CORPORATION BERHAD (8705-K)
**Condensed Consolidated Statement of Comprehensive Income
For the financial period ended 30 September 2017
(The figures have not been audited)**

	3 months period ended		3 months cumulative	
	30-Sep-17 RM'000	30-Sep-16 RM'000	30-Sep-17 RM'000	30-Sep-16 RM'000
Revenue	25,033	34,301	25,033	34,301
Operating expenses	(49,069)	(20,792)	(49,069)	(20,792)
Interest expense	(6)	(5)	(6)	(5)
Interest income	13	1,964	13	1,964
(Loss)/Profit before taxation	(24,029)	15,468	(24,029)	15,468
Taxation	(907)	(130)	(907)	(130)
(Loss)/Profit for the period	(24,936)	15,338	(24,936)	15,338
Other comprehensive (loss)/ income:				
Net fair value changes in available-for-sale financial assets	4,721	4,003	4,721	4,003
Reclassification of previously recognised fair value changes of available-for-sale financial assets	-	(125)	-	(125)
Total comprehensive (loss)/ income for the period	(20,215)	19,216	(20,215)	19,216
(Loss)/Profit attributable to:-				
- Owners of the Company	(25,283)	14,810	(25,283)	14,810
- Non-Controlling Interests	347	528	347	528
	(24,936)	15,338	(24,936)	15,338
Total comprehensive (loss)/ income attributable to:-				
- Owners of the Company	(20,562)	18,688	(20,562)	18,688
- Non-Controlling Interests	347	528	347	528
	(20,215)	19,216	(20,215)	19,216
(Loss)/ Earnings per share				
Basic/Diluted per share	(12.6)	7.4	(12.6)	7.4

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statement for the year ended 30th June 2017)

HEXZA CORPORATION BERHAD (8705-K)

Condensed Consolidated Statement of Financial Position as at 30 September 2017
(The figures have not been audited)

	AS AT 30-Sep-17 RM'000	AS AT 30-Jun-17 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	38,632	39,408
Finance Lease Receivables	-	22,863
Other investments	88,620	75,883
Identifiable intangible assets	2,129	2,129
Total non-current assets	<u>129,381</u>	<u>140,283</u>
Current Assets		
Inventories	15,880	18,907
Trade & other receivables	20,183	21,367
Finance Lease Receivables	-	5,674
Current tax assets	150	105
Other assets	1,013	340
Cash and cash equivalents**	75,785	76,839
Total current assets	<u>113,011</u>	<u>123,232</u>
TOTAL ASSETS	<u>242,392</u>	<u>263,515</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	100,190	100,190
Reserves	120,784	141,346
	<u>220,974</u>	<u>241,536</u>
Non-Controlling Interests	6,928	6,581
Total equity	<u>227,902</u>	<u>248,117</u>
Non-current liabilities		
Deferred tax liabilities	6,182	6,282
Total non-current liabilities	<u>6,182</u>	<u>6,282</u>
Current liabilities		
Trade & other payables	7,405	8,653
Current tax liabilities	903	463
Total current liabilities	<u>8,308</u>	<u>9,116</u>
TOTAL LIABILITIES	14,490	15,398
TOTAL EQUITY AND LIABILITIES	<u>242,392</u>	<u>263,515</u>
Net assets per share attributable to Owners of the Company (RM)	<u>1.09</u>	<u>1.19</u>

** Cash and cash equivalents include funds placed in trust funds which are held on a short term basis, do not have a fixed maturity tenure and are readily convertible into cash.

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statement for the year ended 30th June 2017)



HEXZA CORPORATION BERHAD (8705-K)

**Condensed Consolidated Statements of Changes in Equity
For the financial period ended 30 September 2017
(The figures have not been audited)**

← Attributable to Owners of the Company →

	Share Capital	Investments Revaluation Reserve	Retained Earnings	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
3 months ended 30 September 2017:						
Balance as of 1 July 2017:	100,190	5,571	135,775	241,536	6,581	248,117
Total comprehensive income for the period	-	4,721	(25,283)	(20,562)	347	(20,215)
Balance as of 30 September 2017	<u>100,190</u>	<u>10,292</u>	<u>110,492</u>	<u>220,974</u>	<u>6,928</u>	<u>227,902</u>
3 months ended 30 September 2016:						
Balance as of 1 July 2016:	100,190	(2,746)	122,565	220,009	6,862	226,871
Total comprehensive income for the period	-	3,878	14,810	18,688	528	19,216
Balance as of 30 September 2016	<u>100,190</u>	<u>1,132</u>	<u>137,375</u>	<u>238,697</u>	<u>7,390</u>	<u>246,087</u>

Condensed Consolidated Statement of Cash Flows
For the financial period ended 30 September 2017
(The figures have not been audited)

	3 months ended	
	30-Sep-17	30-Sep-16
	RM'000	RM'000
Cash Flows From/(Used In) Operating Activities		
(Loss)/Profit before taxation	(24,029)	15,468
Adjustments for:		
Depreciation and amortisation	797	824
Gain on disposal of property, plant & equipments / non-current asset held for sale	-	(6,658)
Property, plant and equipment written off	3	158
Interest expense	6	5
Dividend income	(416)	(510)
Unrealised loss/(gain) on foreign exchange	582	(1,620)
Net (gain)/loss arising from financial assets designated as FVTPL	(396)	2
Finance lease income	-	(1,631)
Interest income	(13)	(333)
Impairment loss of finance lease receivable	28,536	-
Reclassification of previously recognised fair value changes of available-for-sale financial assets	-	(125)
Gain on disposal of available-for-sale financial assets	-	(11)
Operating profit before changes in working capital	5,070	5,569
Changes in working capital		
Net change in current assets	3,554	(940)
Net change in current liabilities	(1,248)	(825)
Cash From Operating Activities	7,376	3,804
Dividends received	416	510
Interest received	410	798
Income tax paid	(674)	(834)
Real property gain tax paid	-	(156)
Interest paid	(6)	(5)
Income tax refunded	61	-
Net Cash From Operating Activities	7,583	4,117
Cash Flows (Used In)/ From Investing Activities		
Purchase of available-for-sale financial assets	(8,599)	(3,944)
Purchase of property, plant and equipment	(38)	(128)
Proceeds from disposal of property, plant and equipment	-	5,025
Proceeds from finance lease income	-	522
Proceeds from disposal of available-for-sale financial assets	-	1,230
Net Cash (Used In) / From Investing Activities	(8,637)	2,705
Net (Decrease) / Increase In Cash And Cash Equivalents	(1,054)	6,822
Cash And Cash Equivalents At Beginning Of Financial Period	76,839	51,418
Cash And Cash Equivalents At End Of Financial Period	75,785	58,240

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statement for the year ended 30th June 2017)



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Interim Report on Consolidated Results for the First Quarter ended 30 September 2017

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 2017.

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 2017 was not subject to any qualification.



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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 period to date except for the impairment loss of finance lease receivable amounting to RM28.54 million as announced on 7 November 2017.

Hexza had on 30 January 2015 entered into a sale & purchase and lease agreement with Singapore-incorporated Tembusu Industries Pte Ltd (Tembusu). The investment was affected by two reschedules of payment at Tembusu's request and subsequent delay in payments.

Representatives of the Company have met up with the directors of Tembusu over several occasions to discuss on repayment matters, including a proposed sale of assets.

After the proposed sale of assets did not materialise after the given deadline, our representatives have attempted to contact the Singaporean directors of Tembusu, namely Mr Tin Maung Kyin (Pete Tin) and Mr Heng Teck Meng (Harry Heng) before and after the issuance of notice of default to Tembusu and letter of demand to Pete Tin pursuant to his personal guarantee on 7 November 2017. Both Pete Tin and Harry Heng did not respond to our electronic mails, telephone calls and letters delivered by courier.



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Due to the default by Tembusu and being prudent, the Board of Directors of Hexza has decided to suspend further finance lease interest recognition. The Board of Directors of Hexza has also decided to make a full provision for impairment loss of finance lease receivable amounting to RM28.54 million as well as take legal actions against Tembusu and Pete Tin.

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 other than the finance lease receivable amounting to RM28.54 million, which has now been fully provided.

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 5.0 sen per share by the Board of Directors in respect of the financial year ended 30 June 2017 will be paid on 8th December 2017, subject to the approval by the shareholders at the forthcoming Annual General Meeting to be held on 25th November 2017.



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A8. Segment revenue and segment result

Information on business segments for the financial period ended 30 September 2017 is as follows:

	Resins RM'000	Ethanol RM'000	Investment RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE							
External sales	18,571	5,947	416	-	99	-	25,033
Inter-segment sales	-	25	-	1,585	-	(1,610)	-
Total revenue	18,571	5,972	416	1,585	99	(1,610)	25,033
RESULT							
Operating profit/(loss)	2,530	1,317	(27,968)	(26)	-	111	(24,036)
Interest expense							(6)
Interest income							13
Taxation							(907)
Loss after tax							(24,936)

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 2017.

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.



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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

1st Quarter of FY 2018 compared with 1st Quarter of FY 2017

The Group's performance for the current quarter compared to previous corresponding quarter is as follows:

	Quarter ended		Variance	
	30/09/2017	30/09/2016	RM'000	%
Revenue				
- Resin	18,571	17,783	788	4.4
- Ethanol	5,947	15,896	(9,949)	(62.6)
- Investment	416	510	(94)	(18.4)
- Trading	-	-	-	-
- Others	99	112	(13)	(11.6)
	<u>25,033</u>	<u>34,301</u>	<u>(9,268)</u>	<u>(27.0)</u>



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	Quarter ended		Variance	
	30/09/2017	30/09/2016	RM'000	%
Profit/(Loss) before tax				
- Resin	2,630	9,693	(7,063)	(72.9)
- Ethanol	1,325	2,119	(794)	(37.5)
- Investment				
- investment in securities	580	1,274	(694)	(54.5)
- Trading	(28)	(12)	(16)	(133.3)
- Others	-	8	(8)	(100.0)
	<u>4,507</u>	<u>13,082</u>	<u>(8,575)</u>	<u>(65.5)</u>
- Investment				
- investment in finance lease	(28,536)	2,386	(30,922)	(1,296.0)
	<u>(24,029)</u>	<u>15,468</u>	<u>(39,497)</u>	<u>(255.3)</u>

The Group recorded a lower turnover of RM25.03 million as compared to RM34.30 million in the corresponding quarter last year. Loss before tax of RM24.03 million was recorded this quarter as compared to a profit before tax of RM15.47 million in the previous corresponding quarter.

The performance of the operating business segments is as follows:

Resins segment

Turnover for the quarter was higher at RM18.57 million compared to RM17.78 million in the corresponding quarter last year mainly due to an increase in average selling price. However, the increase in turnover was partially offset by lower sales volume.

Our resins segment's profit before tax was 72.9% lower at RM2.63 million versus RM9.69 million mainly due to higher average raw material costs and the absence of a one-off gain of RM6.63 million on disposal of non-current asset classified as held for sale.



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Sharp spike in prices of our raw materials for resin products coupled with a slightly weaker Ringgit in the quarter under review resulted in 20.4% higher average raw material costs for our resins segment. The increase in average raw material costs outpaced the increase in average selling price for our resin products, causing a margin compression.

Ethanol Segment

The excise duty hike in October 2016 continued to affect the production level of manufacturers of locally bottled alcohol products, on the back of lower sales to end consumers. As a result of this shift in consumer behaviour, sales volume for our ethanol segment was 15.6% lower.

Due to lower sales volume and taking into consideration the Excise Duties (Amendment) Order 2016, whereby the excise duty of potable alcohol will be levied on the finished products and paid by the bottlers, our ethanol segment's revenue, which previously included excise duty for potable alcohol, was 62.6% lower at RM5.95 million versus RM15.90 million.

Profit before tax for ethanol segment decreased by RM0.79 million or 37.5% to RM1.32 million from RM2.12 million, reflecting the lower revenue recorded for the segment.

Investment segment

For the quarter under review, our investment segment recognised the full provision for impairment loss of finance lease receivable amounting to RM28.54 million. Excluding this provision, our investment segment registered a profit before tax of RM0.58 million as compared to a profit before tax of RM3.66 million in the corresponding quarter last year. The Company has suspended



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further finance lease interest recognition. The finance lease interest recognised for 1Q2017 was RM1.63 million. The Company also recorded a net unrealised loss on foreign exchange of RM0.58 million in 1Q2018 versus a net unrealised gain on foreign exchange of RM1.62 million in 1Q2017

B2. Comparison of results for the 1st Quarter of FY 2018 against immediate preceding 4th Quarter of FY 2017

The Group's performance for the current quarter compared to immediate preceding quarter is as follows:

	Quarter ended		Variance	
	30/09/2017	30/06/2017	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue				
- Resin	18,571	18,474	97	0.5
- Ethanol	5,947	5,698	249	4.4
- Investment	416	1,406	(990)	(70.4)
- Trading	-	-	-	-
- Others	99	120	(21)	(17.5)
	<u>25,033</u>	<u>25,698</u>	<u>(665)</u>	<u>(2.6)</u>

	Quarter ended		Variance	
	30/09/2017	30/06/2017	RM'000	%
	RM'000	RM'000	RM'000	%
Profit/(Loss) before tax				
- Resin	2,630	998	1,632	163.5
- Ethanol	1,325	1,280	45	3.5
- Investment				
- investment in securities	580	(148)	728	(491.9)
- Trading	(28)	96	(124)	-
- Others	-	40	(40)	(100.0)
	<u>4,507</u>	<u>2,266</u>	<u>2,241</u>	<u>98.9</u>
- Investment				
- investment in finance lease	(28,536)	(2,331)	(26,205)	1,124.2
	<u>(24,029)</u>	<u>(65)</u>	<u>(23,964)</u>	<u>36,867.7</u>



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Turnover for the quarter under review was RM25.03 million as compared to RM25.70 million in the immediate preceding quarter.

For the quarter under review, our investment segment recognised the full provision for impairment loss of finance lease receivable amounting to RM28.54 million versus provision for impairment loss of RM2.92 million during 4Q2017. Excluding this provision, profit before tax of RM4.51 million was recorded in the quarter under review as compared to RM2.85 million in the immediate preceding quarter.

B3. Prospects

Our resins segment is expected to continue to operate in a challenging environment due to higher raw material prices that may affect our profit margin. Nevertheless, we will work on passing on incremental cost to customers to cushion the impact of higher raw material prices. For the current financial year, we expect the resins segment to maintain more or less the same level of profit as the financial year ended 30 June 2017.

In order to mitigate the fall in potable alcohol sales volume due to the hike in excise duty in October 2016, our strategy is to intensify our marketing efforts. We will also work on increasing sales of higher margin products. Our potable alcohol sales are susceptible to further new regulations introduced by the government. However, for the current financial year, we expect the ethanol segment to achieve a comparable profit as the financial year ended 30 June 2017.

B4. Comparison with profit forecast

This note is not applicable.



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B5. Income tax

Taxation comprises:

	Quarter ended		Year to date	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RM'000	RM'000	RM'000	RM'000
Estimated current Malaysian taxation	1,007	1,389	1,007	1,389
Deferred taxation	(100)	(1,259)	(100)	(1,259)
	907	130	907	130

The effective tax rate of the Group for the current year to date is higher than the statutory rate of tax applicable mainly due to the losses suffered by the Company.

B6. (Loss)/Profit before taxation

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

	Quarter ended		Year to date	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	797	824	797	824
Reclassification of previously recognized fair value changes of availables-for-sale investments	-	(125)	-	(125)
Gain on disposal of available-for-sale sale investment	-	(11)	-	(11)
Gain on disposal of property, plant and equipment	-	(6,658)	-	(6,658)
Property, plant and equipment written off	3	158	3	158
Interest expense	6	5	6	5
Interest income	(13)	(333)	(13)	(333)
Impairment loss of finance lease receivable	28,536	-	28,536	-
Finance lease income	-	(1,631)	-	(1,631)
Net (gain)/loss arising from financial assets designated as FVTPL	(396)	2	(396)	2
Net unrealized loss/(gain) on foreign exchange	582	(1,620)	582	(1,620)



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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, 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.

B11. Earnings per share

The basic and diluted (loss)/earnings per share are calculated as follows:



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	Quarter ended		Year to date	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RM'000	RM'000	RM'000	RM'000
Net (loss)/profit attributable to Owners of the Company(RM'000)	(25,283)	14,810	(25,283)	14,810
Weighted average number of ordinary shares	200,380,036	200,380,036	200,380,036	200,380,036
Basic/Diluted (loss)/earning per share	(12.6)	7.4	(12.6)	7.4

B12. Disclosure of realised and unrealised profits

	As at 30/09/2017 RM'000	As at 30/06/2017 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	108,846	131,011
- Unrealised	1,646	4,764
Total group retained profits as per consolidated accounts	110,492	135,775

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 November 2017.