

HEXZA CORPORATION BERHAD (8705-K)
**Condensed Consolidated Statement of Comprehensive Income
For the financial period ended 31 December 2017
(The figures have not been audited)**

	3 months period ended		6 months cumulative	
	31-Dec-17 RM'000	31-Dec-16 RM'000	31-Dec-17 RM'000	31-Dec-16 RM'000
Revenue	26,243	26,861	51,276	61,162
Operating expenses	(23,833)	(18,398)	(72,902)	(39,190)
Interest expense	(4)	(5)	(10)	(10)
Interest income	32	2,279	45	4,243
Profit/(Loss) before taxation	<u>2,438</u>	<u>10,737</u>	<u>(21,591)</u>	<u>26,205</u>
Taxation	(665)	(901)	(1,572)	(1,031)
Profit/(Loss) for the period	<u>1,773</u>	<u>9,836</u>	<u>(23,163)</u>	<u>25,174</u>
Other comprehensive income/(loss):				
Net fair value changes in available-for-sale financial assets	866	(2,738)	5,587	1,264
Reclassification of previously recognised fair value changes of available-for-sale financial assets	-	-	-	(125)
Total comprehensive income/(loss) for the period	<u>2,639</u>	<u>7,098</u>	<u>(17,576)</u>	<u>26,313</u>
Profit/(Loss) attributable to:-				
- Owners of the Company	1,514	9,481	(23,769)	24,291
- Non-Controlling Interests	259	355	606	883
	<u>1,773</u>	<u>9,836</u>	<u>(23,163)</u>	<u>25,174</u>
Total comprehensive income/(loss) attributable to:-				
- Owners of the Company	2,380	6,743	(18,182)	25,430
- Non-Controlling Interests	259	355	606	883
	<u>2,639</u>	<u>7,098</u>	<u>(17,576)</u>	<u>26,313</u>
Earnings/ (Loss) per share				
Basic/Diluted per share	0.8	4.7	(11.9)	12.1

(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 31 December 2017
(The figures have not been audited)

	AS AT 31-Dec-17 RM'000	AS AT 30-Jun-17 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	37,926	39,408
Finance Lease Receivables	-	22,863
Other investments	90,140	75,883
Identifiable intangible assets	2,129	2,129
Total non-current assets	<u>130,195</u>	<u>140,283</u>
Current Assets		
Inventories	13,181	18,907
Trade & other receivables	20,884	21,367
Finance Lease Receivables	-	5,674
Current tax assets	70	105
Other assets	865	340
Cash and cash equivalents**	67,531	76,839
Total current assets	<u>102,531</u>	<u>123,232</u>
TOTAL ASSETS	<u>232,726</u>	<u>263,515</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	100,190	100,190
Reserves	113,145	141,346
	<u>213,335</u>	<u>241,536</u>
Non-Controlling Interests	6,782	6,581
Total equity	<u>220,117</u>	<u>248,117</u>
Non-current liabilities		
Deferred tax liabilities	6,067	6,282
Total non-current liabilities	<u>6,067</u>	<u>6,282</u>
Current liabilities		
Trade & other payables	5,583	8,653
Current tax liabilities	959	463
Total current liabilities	<u>6,542</u>	<u>9,116</u>
TOTAL LIABILITIES	12,609	15,398
TOTAL EQUITY AND LIABILITIES	<u>232,726</u>	<u>263,515</u>
Net assets per share attributable to Owners of the Company (RM)	<u>1.05</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 (6705-K)

Condensed Consolidated Statements of Changes in Equity
For the financial period ended 31 December 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
6 months ended 31 December 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	-	5,587	(23,769)	(18,182)	606	(17,576)
Transactions with the owners of the Company :						
Dividend	-	-	(10,019)	(10,019)	(405)	(10,424)
Balance as of 31 December 2017	<u>100,190</u>	<u>11,158</u>	<u>101,987</u>	<u>213,335</u>	<u>6,782</u>	<u>220,117</u>
6 months ended 31 December 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	-	1,139	24,291	25,430	883	26,313
Transactions with the owners of the Company :						
Dividend	-	-	(9,017)	(9,017)	(608)	(9,625)
Balance as of 31 December 2016	<u>100,190</u>	<u>(1,607)</u>	<u>137,839</u>	<u>236,422</u>	<u>7,137</u>	<u>243,559</u>

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HEXZA CORPORATION BERHAD (8705-K)

Condensed Consolidated Statement of Cash Flows
For the financial period ended 31 December 2017
(The figures have not been audited)

	6 months ended	
	31-Dec-17 RM'000	31-Dec-16 RM'000
Cash Flows From/(Used In) Operating Activities		
(Loss)/Profit before taxation	(21,591)	26,205
Adjustments for:		
Depreciation and amortisation	1,590	1,649
Gain on disposal of property, plant & equipments / non-current asset held for sale	-	(6,658)
Property, plant and equipment written off	1	158
Interest expense	10	10
Dividend income	(1,964)	(1,666)
Unrealised loss/(gain) on foreign exchange	2,133	(6,371)
Net gain arising from financial assets designated as FVTPL	(767)	(49)
Finance lease income	-	(3,415)
Interest income	(45)	(828)
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	<u>7,903</u>	<u>8,899</u>
Changes in working capital		
Net change in current assets	5,679	3,904
Net change in current liabilities	(3,071)	193
Cash From Operating Activities	<u>10,511</u>	<u>12,996</u>
Dividends received	1,964	1,666
Interest received	812	1,084
Income tax paid	(1,317)	(1,603)
Real property gain tax paid	-	(156)
Interest paid	(10)	(10)
Income tax refunded	61	-
Net Cash From Operating Activities	<u>12,021</u>	<u>13,977</u>
Cash Flows (Used In)/ From Investing Activities		
Purchase of available-for-sale financial assets	(10,796)	(4,197)
Purchase of property, plant and equipment	(109)	(302)
Proceeds from disposal of property, plant and equipment	-	19,032
Proceeds from finance lease income	-	522
Proceeds from disposal of available-for-sale financial assets	-	1,230
Net Cash (Used In) / From Investing Activities	<u>(10,905)</u>	<u>16,285</u>
Cash Flows Used In Financing Activities		
Dividends paid to owners of the Company	(10,019)	(9,017)
Dividends paid to minority shareholders	(405)	(608)
Net Cash (Used In) Financing Activities	<u>(10,424)</u>	<u>(9,625)</u>
Net (Decrease) / Increase In Cash And Cash Equivalents	(9,308)	20,637
Cash And Cash Equivalents At Beginning Of Financial Period	76,839	51,418
Cash And Cash Equivalents At End Of Financial Period	<u><u>67,531</u></u>	<u><u>72,055</u></u>

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



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Second Quarter ended 31 December 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.



HEXZA CORPORATION BERHAD (8705-K)

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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.



HEXZA CORPORATION BERHAD (8705-K)

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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

No dividend was proposed 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 was approved by the shareholders at the 48th Annual General Meeting on 25 November 2017. The dividend amounting to RM10.019 million was paid on 8 December 2017.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Second Quarter ended 31 December 2017

A8. Segment revenue and segment result

Information on business segments for the financial period ended 31 December 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	37,524	11,523	1,964	-	265	-	51,276
Inter-segment sales	-	42	11,970	2,398	-	(14,410)	-
Total revenue	37,524	11,565	13,934	2,398	265	(14,410)	51,276
RESULT							
Operating profit/(loss)	4,467	2,246	(16,435)	(57)	11	(11,858)	(21,626)
Interest expense							(10)
Interest income							45
Taxation							(1,572)
Loss after tax							(23,163)

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 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.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Second Quarter ended 31 December 2017

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) 2nd Quarter of FY 2018 compared with 2nd Quarter of FY 2017

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

	Quarter ended		Variance	
	31/12/2017 RM'000	31/12/2016 RM'000	RM'000	%
Revenue				
- Resin	18,953	18,437	516	2.8
- Ethanol	5,577	7,177	(1,600)	(22.3)
- Investment	1,548	1,155	393	34.0
- Trading	-	-	-	-
- Others	165	92	73	79.3
	<u>26,243</u>	<u>26,861</u>	<u>(618)</u>	<u>(2.3)</u>



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Second Quarter ended 31 December 2017

	Quarter ended		Variance	
	31/12/2017	31/12/2016	RM'000	%
	RM'000	RM'000	RM'000	%
Profit/(Loss) before tax				
- Resin	1,945	2,559	(614)	(24.0)
- Ethanol	935	753	182	24.2
- Investment				
- investment in securities	(424)	3,192	(3,616)	(113.3)
- Trading	(30)	(16)	(14)	(87.5)
- Others	12	(1)	13	(1,300.0)
	2,438	6,487	(4,049)	(62.4)
- Investment				
- investment in finance lease	-	4,250	(4,250)	(100.0)
	2,438	10,737	(8,299)	(77.3)

The Group recorded a lower turnover of RM26.24 million for the current quarter as compared to RM26.86 million in the previous corresponding quarter. Profit before tax of RM2.44 million was recorded this quarter as compared to a profit before tax of RM10.74 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 RM18.95 million compared to RM18.44 million in the corresponding quarter last year mainly due to an increase in average selling price, in line with higher raw material costs. However, the impact from the increase in average selling price was partially offset by lower sales volume.

Our resins segment's profit before tax was 24.0% lower at RM1.95 million as compared to RM2.56 million mainly due to lower sales volume and margin compression as the increase in average raw material costs outpaced the increase in average selling price for our resin products.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Second Quarter ended 31 December 2017

Ethanol segment

The Excise Duties (Amendment) Order 2016 came into effect on 10 October 2016, whereby the excise duty of potable alcohol is now levied on the finished products and paid by the bottlers. Our ethanol segment's revenue, which previously included excise duty for potable alcohol, was 22.3% lower at RM5.58 million compared to RM7.18 million in the corresponding quarter last year.

Profit before tax for ethanol segment increased by RM0.18 million or 24.2% to RM0.93 million from RM0.75 million mainly due to higher sales volume and higher average selling price, net of excise duty.

Investment segment

Loss before tax of RM0.42 million was recorded as compared to a profit before tax of RM7.44 million in the corresponding quarter last year. Unrealised loss on foreign exchange of RM1.55 million was recorded as opposed to unrealised gain on foreign exchange of RM4.75 million in the corresponding quarter last year. In addition, the Board of Directors of Hexza has decided to suspend further finance lease interest recognition for our investment in power generation equipment in Myanmar after making a full provision for impairment loss of finance lease receivable due to default by Tembusu Industries Pte Ltd. Profit before tax attributable to finance lease recognised in Q2 2017 was RM4.25 million.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Second Quarter ended 31 December 2017

Resins segment

Turnover for the first half year was higher at RM37.52 million compared to RM36.22 million in the corresponding period last year, mainly due to an increase in average selling price, in line with higher raw material costs. However, the impact from the increase in average selling price was partially offset by lower sales volume.

Our resins segment's profit before tax was 62.7% lower at RM4.57 million as compared to RM12.25 million mainly due to the absence of a one-off gain of RM6.63 million on disposal of non-current asset classified as held for sale recorded in the corresponding period last year, as well as lower sales volume and margin compression as the increase in average raw material costs outpaced the increase in average selling price for our resin products.

Ethanol segment

The Excise Duties (Amendment) Order 2016 came into effect on 10 October 2016, whereby the excise duty of potable alcohol is now levied on the finished products and paid by the bottlers. Our ethanol segment's revenue, which previously included excise duty for potable alcohol, was 50.1% lower at RM11.52 million compared to RM23.07 million in the corresponding period last year.

Profit before tax for ethanol segment decreased by RM0.61 million or 21.3% to RM2.26 million from RM2.87 million due to lower potable alcohol sales volume as the full impact from the excise duty hike in October 2016 was felt during the six-month period under review.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Second Quarter ended 31 December 2017

Investment segment

For the period under review, our investment segment recognised the full provision for impairment loss of finance lease receivable amounting to RM28.54 million for our investment in power generation equipment in Myanmar. Excluding items related to the finance lease, our investment segment registered a profit before tax of RM0.16 million as compared to RM4.47 million in the corresponding period last year, with the lower profit before tax mainly attributable to unrealised loss on foreign exchange of RM2.13 million as opposed to unrealised gain on foreign exchange of RM3.10 million in the corresponding period last year.

B2. Comparison of results for the 2nd Quarter of FY 2018 against immediate preceding 1st Quarter of FY 2018

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

	Quarter ended		Variance	
	31/12/2017	30/09/2017	RM'000	%
Revenue				
- Resin	18,953	18,571	382	2.1
- Ethanol	5,577	5,947	(370)	(6.2)
- Investment	1,548	416	1,132	272.1
- Trading	-	-	-	-
- Others	165	99	66	66.7
	<u>26,243</u>	<u>25,033</u>	<u>1,210</u>	<u>4.8</u>



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Second Quarter ended 31 December 2017

	Quarter ended		Variance	
	31/12/2017	30/09/2017	RM'000	%
	RM'000	RM'000	RM'000	%
Profit/(Loss) before tax				
- Resin	1,945	2,630	(685)	(26.0)
- Ethanol	935	1,325	(390)	(29.4)
- Investment				
- investment in securities	(424)	580	(1,004)	(173.1)
- Trading	(30)	(28)	(2)	-
- Others	12	-	12	-
	2,438	4,507	(2,069)	(45.9)
- Investment				
- investment in finance lease	-	(28,536)	28,536	(100.0)
	2,438	(24,029)	26,467	(110.1)

Turnover for the second quarter under review was RM26.24 million as compared to RM25.03 million in the immediate preceding first quarter.

For the immediate preceding first quarter, our investment segment recognised the full provision for impairment loss of finance lease receivable amounting to RM28.54 million. Excluding this provision, profit before tax of RM2.44 million was recorded in the quarter under review as compared to RM4.51 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 operating profit as the financial year ended 30 June 2017.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Second Quarter ended 31 December 2017

Our ethanol segment will feel the full year impact of the excise duty hike in October 2016, which has affected sales of our potable alcohol. We will continue to intensify our marketing efforts and work on increasing sales of higher margin products. 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.

B5. Income tax

Taxation comprises:

	Quarter ended		Year to date	
	3 months ended		6 months ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
Estimated current Malaysian taxation	780	996	1,787	2,385
Deferred taxation	(115)	(95)	(215)	(1,354)
	<u>665</u>	<u>901</u>	<u>1,572</u>	<u>1,031</u>

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. Profit/(Loss) before taxation

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



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Second Quarter ended 31 December 2017

	Quarter ended		Year to date	
	3 months ended		6 months ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
Depreciation and amortisation	793	825	1,590	1,649
Reclassification of previously recognized fair value changes of availables-for-sale investments	-	-	-	(125)
Gain on disposal of available-for-sale investment	-	-	-	(11)
Gain on disposal of property, plant and equipment	-	-	-	(6,658)
Property, plant and equipment written off	(2)	-	1	158
Interest expense	4	5	10	10
Interest income	(32)	(495)	(45)	(828)
Impairment loss of finance lease receivable	-	-	28,536	-
Finance lease income	-	(1,784)	-	(3,415)
Net gain arising from financial assets designated as FVTPL	(371)	(51)	(767)	(49)
Net unrealized loss/(gain) on foreign exchange	1,551	(4,751)	2,133	(6,371)

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.



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Second Quarter ended 31 December 2017

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 earnings/(loss) per share are calculated as follows:

	Quarter ended		Year to date	
	3 months ended		6 months ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
Net profit/(loss) attributable to Owners of the Company (RM'000)	1,514	9,481	(23,769)	24,291
Weighted average number of ordinary shares	200,380,036	200,380,036	200,380,036	200,380,036
Basic/Diluted earning/(loss) per share	0.8	4.7	(11.9)	12.1



HEXZA CORPORATION BERHAD (8705-K)

Interim Report on Consolidated Results for the Second Quarter ended 31 December 2017

B12. Disclosure of realised and unrealised profits

	As at 31/12/2017 RM'000	As at 30/06/2017 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	101,829	131,011
- Unrealised	158	4,764
	<hr/>	<hr/>
Total group retained profits as per consolidated accounts	101,987	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 9 February 2018.