



**Interim Report for the 6-month Financial Period Ended 31 March 2011**

**A. EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD (“FRS”) 134, INTERIM FINANCIAL REPORTING**

**1. Basis of Preparation**

This interim financial report is unaudited and has been prepared in accordance with FRS 134, Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). This interim financial report should be read in conjunction with the audited financial statements for the financial year ended 30 September 2010.

These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the change in the financial position and performance of Halex Holdings Berhad (“Halex” or the “Company”) and its subsidiaries (the “Group”) since the financial year ended 30 September 2010.

The significant accounting policies and methods of computation adopted in this unaudited interim financial report are consistent with those adopted in the Group’s audited financial statements for the financial year ended 30 September 2010.

**2. Changes in Accounting Policy**

The accounting policies and method of computation adopted by the Group are consistent with those used in the preparation of the Group’s audited financial statements for the year ended 30 September 2010, with the exception of the following FRS’s, Amendments to FRS’s and IC Interpretations which are applicable to the Group for the current financial year :

|                       |   |
|-----------------------|---|
| FRS 1                 | First-time Adoption of Financial Reporting Standards  |
| FRS 3                 | Business Combinations   |
| FRS 4                 | Insurance contracts   |
| FRS 7                 | Financial Instruments : Disclosures   |
| FRS 101               | Presentation of Financial Statements  |
| FRS 123               | Borrowing Costs   |
| FRS 139               | Financial Instruments : Recognition and Measurement   |
| Amendments to FRS 1   | First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements |
| Amendments to FRS 1   | First-time Adoption of Financial Reporting Standards  |
| Amendments to FRS 2   | Share-based payment: Vesting conditions and Cancellations   |
| Amendments to FRS 2   | Share-based payment   |
| Amendments to FRS 5   | Non-Current Assets Held for Sale and Discontinued Operations  |
| Amendments to FRS 7   | Improving Disclosures about Financial Instruments   |
| Amendments to FRS 8   | Operating Segments  |
| Amendments to FRS 107 | Statement of Cash Flows   |
| Amendments to FRS 108 | Accounting policies : Changes in Accounting Estimates and Errors  |



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|                                    |  |
|------------------------------------|--|
| Amendments to FRS 110              | Events After the Balance Sheet Date  |
| Amendments to FRS 116              | Property, Plant and Equipments   |
| Amendments to FRS 117              | Leases   |
| Amendments to FRS 118              | Revenue  |
| Amendments to FRS 119              | Employee Benefits  |
| Amendments to FRS 120              | Accounting for Government Grants and Disclosures of Government Assistance                          |
| Amendments to FRS 123              | Borrowing Costs  |
| Amendments to FRS 127              | Consolidated and Separate Financial Statements   |
| Amendments to FRS 128              | Investment in Associates   |
| Amendments to FRS 129              | Financial reporting in Hyperinflationary Economies   |
| Amendments to FRS 131              | Interests in Joint Ventures  |
| Amendments to FRS 132              | Financial Instruments : Presentation   |
| Amendments to FRS 134              | Interim Financial Reporting  |
| Amendments to FRS 136              | Impairment of Assets   |
| Amendments to FRS 138              | Intangible Assets  |
| Amendments to FRS 140              | Investment Property  |
| IC Interpretation 9                | Reassessment of Embedded Derivatives   |
| IC Interpretation 10               | Interim Financial Reporting and Impairment   |
| IC Interpretation 12               | Service Concession Arrangements  |
| IC Interpretation 13               | Customer Loyalty Programmes  |
| IC Interpretation 14               | FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |
| IC Interpretation 16               | Hedges of a Net Investment in a Foreign Operation  |
| IC Interpretation 17               | Distributions of Non-cash Assets to Owners   |
| Amendments to IC Interpretation 15 | Agreements for the Construction of Real Estate   |

The adoption of the above FRS's, amendments and interpretations do not have any significant impact on the interim financial information of the Group except for the adoption of the following FRS's as set out below :



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### FRS 101 : Presentation of Financial Statements (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labeled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expenses recognized in the income statement, or in two linked statements. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group and the Company.

### Amendments to FRS 117 : Leases

The amendments clarify the classification of lease of land and require entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of these amendments will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions.

The change in accounting policy will result in reclassification of relevant lease land as at 30 September 2010 from prepaid lease payments to property, plant and equipment.

The following comparative figures have been restated :

| <b>Group as at 30 September 2010</b> | <b>As restated</b> | <b>As previously stated</b> |
|--------------------------------------|--------------------|-----------------------------|
|                                      | <b>RM'000</b>      | <b>RM'000</b>               |
| Property, plant and equipment        | 41,401             | 39,959                      |
| Prepaid lease payments               | -                  | 1,442                       |

### FRS 139 Financial Instruments : Recognition and Measurement

The standard establishes principles for recognizing and measuring financial instruments. A financial instrument is recognized in the financial statements when, and only when the Group becomes a party to the contractual provisions of the instruments. The Group categorizes financial instruments as follows :

#### (i) Financial Assets

The Group's financial assets include short term investments, cash, deposits, receivables and prepayments. Short term investments are classified as available-for-sale (AFS) financial assets and are stated at fair value unless the fair value cannot be measured reliably, in which case it is measured at cost. Changes in fair value of AFS financial assets are recognized in other comprehensive income in the statement of comprehensive income. Other financial assets are classified as loans and receivables and measured at amortized cost using effective interest method.



**HALEX HOLDINGS BERHAD** (206220-U)  
(Incorporated in Malaysia under the Companies Act, 1965)

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(ii) **Financial Liabilities**

Financial liabilities include borrowings, trade and other payables, and are stated at amortized cost.

### **3. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report for the Company's preceding annual audited financial statements for the financial year ended 30 September 2010 were not subject to any qualification.

### **4. Seasonal or Cyclical Factors**

The Group's business operations were not significantly affected by any major seasonal or cyclical factors.

### **5. Unusual Items**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter under review and financial year to-date.

### **6. Material Changes in Estimates**

There were no material changes in estimates of amount reported that have a material effect on the current quarter under review and financial year to-date.

### **7. Details of Changes in Debts and Equity Securities**

There were no issuance, cancellation, repurchase, resale or repayment of debt and/or equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter under review and financial year to-date.

### **8. Dividend**

No dividend was paid during the current quarter.



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**9. Segmental Reporting**

|   | 6-months ended 31 March 2011    |                             |                                     |  |                        | Consolidated<br>RM'000 |
|---|---------------------------------|-----------------------------|-------------------------------------|--|------------------------|------------------------|
|   | Investment<br>holding<br>RM'000 | Agro-<br>chemical<br>RM'000 | Healthcare<br>Disposables<br>RM'000 | Horticulture<br>and Agro-<br>biotechnologies<br>RM'000 | Eliminations<br>RM'000 |                        |
| <b>Revenue</b>                                |                                 |                             |                                     |  |                        |                        |
| External sales                                | -                               | 25,096                      | 19,660                              | 3,184  | -                      | 47,940                 |
| Dividend income                               | -                               | -                           | -                                   | -  | -                      | -                      |
| Inter-segment sales                           | -                               | 5,943                       | 39                                  | 1  | (5,983)                | -                      |
| <b>Total</b>                                  | <b>-</b>                        | <b>31,039</b>               | <b>19,699</b>                       | <b>3,185</b>   | <b>(5,983)</b>         | <b>47,940</b>          |
| <b>Results</b>                                |                                 |                             |                                     |  |                        |                        |
| Segment results                               | (201)                           | 3,168                       | (406)                               | 207  | -                      | 2,768                  |
| Finance costs                                 | -                               | (96)                        | (237)                               | -  | -                      | (333)                  |
| Finance income                                | -                               | 140                         | -                                   | 1  | -                      | 141                    |
| <b>Profit before<br/>taxation</b>             | <b>(201)</b>                    | <b>3,212</b>                | <b>(643)</b>                        | <b>208</b>   | <b>-</b>               | <b>2,576</b>           |
| Taxation                                      |                                 |                             |                                     |  |                        | (817)                  |
| <b>Profit after taxation</b>                  |                                 |                             |                                     |  |                        | <b>1,759</b>           |
| Attributable to equity holders of the Company |                                 |                             |                                     |  |                        | 1,759                  |

**Geographical Segments for Revenue**

|              | Current Year<br>Quarter<br>31/3/2011<br>RM'000 | Preceding Year<br>Quarter<br>31/3/2010<br>RM'000 |
|--------------|--|--|
| Local        | 16,357   | 17,113   |
| Export       | 7,330  | 3,818  |
| <b>Total</b> | <b>23,687</b>                                  | <b>20,931</b>                                    |

**10. Valuation of Property, Plant and Equipment**

The values of property, plant and equipment have been brought forward without amendment from the Company's previous annual audited financial statements for the financial year ended 30 September 2010.

The Group did not carry out any valuation on its property, plant and equipment during the current quarter under review and financial year to-date.



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**11. Changes in the Composition of the Group**

There were no changes in the composition of the Group during the current quarter under review and financial year to-date.

**12. Contingent Liabilities**

There were no changes in contingent liabilities since the last annual balance sheet as at 30 September 2010.

|   | <b>Company</b>                        |  |
|---|---------------------------------------|--|
|   | <b>As At<br/>31/3/2011<br/>RM'000</b> | <b>As At<br/>30/09/2010<br/>RM'000</b> |
| Guarantees given to financial institutions for facilities granted to subsidiaries | 31,850                                | 31,850                                 |

**13. Capital Commitments**

There were no material capital commitments entered into and not provided for by the Group during the current quarter under review.

**14. Material Events Subsequent to the End of the Interim Reporting Period**

Save as disclosed under Note B8 below, there were no material events occurring between the end of the reporting period and the date of issuance of this quarterly report which will substantially affect the results of the Group.

**15. Disclosure On Realised and Unrealised Profits / Losses**

|   | <b>Group</b>                          |  |
|---|---------------------------------------|--|
|   | <b>As At<br/>31/3/2011<br/>RM'000</b> | <b>As At<br/>30/09/2010<br/>RM'000</b> |
| Retained earnings of the Company and its subsidiaries : |                                       |  |
| - Realised  | 37,262                                | 35,503                                 |
| - Unrealised  | -                                     | -                                      |
|   | 37,262                                | 35,503                                 |
| Less : Consolidation adjustments                        | (377)                                 | (377)                                  |
|   | 36,885                                | 35,126                                 |



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**B. ADDITIONAL INFORMATION REQUIRED PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES**

**1. Review of Performance**

For the second quarter ended 31 March 2011, the Group registered revenue and profit before tax ("PBT") of approximately RM23.69 million and RM1.11 million, representing an increase of 13.17% and 40.14% respectively, compared to the preceding year quarter.

The Group's agrochemicals sales increased by 4.49% compared to the preceding year quarter as commodities prices and the general economic conditions have continued to be strong. Gross profit margins however dropped slightly from 28.22% to 27.39% due mainly from herbicides.

The Group's healthcare disposable products revenue increased by 25.19% while gross profits increased by 12.91% compared to the preceding year quarter due to price adjustments in line with higher raw materials prices and increased export sales to an overseas customer.

Horticulture sales increased 20.01% due to higher demand and improved auction prices for the exports to Japan. Gross profits also improved 35.58% in line with the higher sales.

**2. Material Changes in the Profit Before Taxation for the Current Quarter as Compared with the Immediate Preceding Quarter**

For the current quarter under review, the Group recorded a decrease in revenue of approximately RM23.69 million compared to approximately RM24.25 million in the immediate preceding quarter, representing a decline of 2.34%, due mainly to lower sales for the Group's Agrochemical products due to the festival shortened period. Revenue for the healthcare disposal products maintained at approximately RM9.8 million, while horticulture exports to Japan increased by 19.57% due to higher demand and auction prices.

Against the immediate preceding quarter, gross profits for the Group declined by RM0.31 million or 4.94% respectively, mainly due to the drop in gross profits in the agrochemicals business by 12.65%.

**3. Prospects**

Despite economic growth in 2010, the global outlook is still faced with uncertainties due to natural disasters, potential national conflicts in a number of places in the world, and fluctuating commodities prices. As such, the Group will continue to be prudent in implementing its business strategy to ensure a long-term sustainability of the Group's performance, and barring any unforeseen circumstances, the Group is confident of achieving an acceptable performance for the financial year ending 30 September 2011.

**4. Profit Forecast and Profit Guarantee**

The Group has not provided any profit forecast or profit guarantee in any public document.



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**5. Taxation**

The taxation figures are as follows:

|                  | Individual Quarter                             |  | Cumulative Quarter                             |  |
|------------------|--|--|--|--|
|                  | Current Year<br>Quarter<br>31/3/2011<br>RM'000 | Preceding Year<br>Quarter<br>31/3/2010<br>RM'000 | Current<br>Year to-Date<br>31/3/2011<br>RM'000 | Preceding<br>Year to-Date<br>31/3/2010<br>RM'000 |
| Current taxation | 345  | 294  | 817  | 655  |

The effective tax rate of the Group for the current quarter under review is higher than the statutory tax rate of 25% due to certain expenses being ineligible for tax deduction.

**6. Sales of Unquoted Investments and/or Properties**

The following disposal of property was made during the current quarter under review and financial year to-date :

|                            | Individual Quarter                             |  | Cumulative Quarter                             |  |
|----------------------------|--|--|--|--|
|                            | Current Year<br>Quarter<br>31/3/2011<br>RM'000 | Preceding<br>Year Quarter<br>31/3/2010<br>RM'000 | Current<br>Year to-Date<br>31/3/2011<br>RM'000 | Preceding<br>Year to-Date<br>31/3/2010<br>RM'000 |
| Total disposals            |  |  |  |  |
| Disposals consideration    | 36   | 1  | 36   | 1  |
| Cost / Net Book value      | -  | -  | -  | -  |
| Gain / (Loss) on disposals | 36   | 1  | 36   | 1  |

**7. Quoted Securities**

(a) Purchases and disposals of quoted securities:

There was only a small purchase of quoted shares amounting to RM55.00, and there were no other purchases or disposals of quoted securities for the current quarter and the preceding year quarter.

(b) Investments in quoted securities:

|                                     | Group                        |                              |
|-------------------------------------|------------------------------|------------------------------|
|                                     | As At<br>31/3/2011<br>RM'000 | As At<br>31/3/2010<br>RM'000 |
| At cost                             | 129                          | 148                          |
| Less: Accumulated impairment losses | (16)                         | (60)                         |
|                                     | <u>113</u>                   | <u>88</u>                    |
| At market value                     | <u>113</u>                   | <u>88</u>                    |





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**8. Status of Corporate Proposal**

In conjunction with the Public Issue and Offer for Sale, the Company's entire enlarged issued and paid-up share capital comprising 80,000,000 ordinary shares of RM0.50 each was listed on 16 September 2009 on the Main Market of Bursa Securities.

The Company has received proceeds of RM7.80 million from the public issue of 10,000,000 shares, and the proceeds have been utilised in the following manner:

|  | <b>Proceeds</b> | <b>Amount Utilised</b> | <b>Amount Unutilised</b> |
|--|-----------------|------------------------|--------------------------|
|  | <b>RM'000</b>   | <b>RM'000</b>          | <b>RM'000</b>            |
| Extension/expansion works on factory building and operations | 2,000           | 165                    | 1,835                    |
| Nursery land and development cost                            | 1,100           | 1,100                  | -                        |
| Capital and research and development expenditures            | 1,500           | 1,136                  | 364                      |
| Repayment of bank borrowings                                 | 1,200           | 1,200                  | -                        |
| Working capital  | 450             | 450                    | -                        |
| Estimated listing expenses                                   | 1,550           | 1,550                  | -                        |
| <b>Total</b>   | <b>7,800</b>    | <b>5,601</b>           | <b>2,199</b>             |

**9. Borrowings**

The Group's borrowings as at 31 March 2011 are as follows:

|                              | <b>Secured<br/>RM'000</b> |
|------------------------------|---------------------------|
| <b>Short-term borrowings</b> |                           |
| Bankers acceptances          | 9,288                     |
| Bank overdrafts              | 714                       |
| Term loans                   | 1,231                     |
|                              | 11,233                    |
| <b>Long-term borrowings</b>  |                           |
| Term loans                   | 4,122                     |
| <b>Total</b>                 | 15,355                    |

There were no unsecured debt during the current quarter and financial year to-date.

The Group does not have any foreign borrowing or debt securities as at the date of this interim report.



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**10. Off Balance Sheet Financial Instruments**

The Group has the following forward foreign exchange contracts outstanding as at 31 March 2011:

| Description                                | Notional Amount   | Effective Period |
|--|-------------------|------------------|
| Forward contract – to hedge Yen receivable | Yen 13.50 million | Feb to Sep 2011  |

The Yen contracts were entered into as hedges for a subsidiary's sales denominated in Yen to limit the exposure to potential changes in foreign exchange rates. There is minimal credit risk as the contracts were entered into with a reputable bank.

**11. Material Litigation**

There were no material litigations involving the Group as at the date of this interim report.

**12. Earnings Per Share**

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company for the period by the weighted average number of ordinary shares in issue during the financial period under review.

|   | Individual Quarter                   |  | Cumulative Quarter                   |  |
|---|--------------------------------------|--|--------------------------------------|--|
|   | Current Year<br>Quarter<br>31/3/2011 | Preceding Year<br>Quarter<br>31/3/2010 | Current<br>Year to-Date<br>31/3/2011 | Preceding<br>Year to-Date<br>31/3/2010 |
| Profit attributable to equity holders of the Company (RM'000) | 770                                  | 501                                    | 1,759                                | 1,539                                  |
| Weighted average number of ordinary shares in issue ('000)    | 80,000                               | 80,000                                 | 80,000                               | 80,000                                 |
| Basic earnings per share (sen)                                | 0.96                                 | 0.63                                   | 2.20                                 | 1.92                                   |

(b) Diluted

The Company does not have any convertible share or convertible financial instruments for the current quarter under review and financial year to-date.

By Order of the Board,

Laang Jhe How  
Company Secretary  
Selangor Darul Ehsan  
30 May 2011