

Interim Report for the 9-month Financial Period Ended 30 June 2012

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 2011.

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 2011.

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 2011.

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 2011, 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 :-

Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 3	Business Combinations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 7	Financial Instruments Disclosures
Amendments to FRS 7	Disclosures – Transfer of Financial Assets
Amendments to FRS 101	Presentation of Financial Statements
Amendments to FRS 101	Presentation of Items of Other Comprehensive Income
Amendments to FRS 112	Deferred Tax: Recovery of Underlying Assets
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates
Amendments to FRS 124	Related Party Disclosures
Amendments to FRS 128	Investments in Associates
Amendments to FRS 131	Interests in Joint Ventures



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Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 4	Determining Whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 13	Customer Loyalty Programmes
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement
TR i - 4	Shariah Compliant Sales Contracts

The adoption of the above FRS's, amendments and interpretations do not have any significant impact on the interim financial information of the Group.

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 2011 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

The Directors proposed a final single tier dividend of 7% in respect of the financial year ended 30 September 2011 amounting to RM2.80 million. The dividend was paid on 6 June 2012.

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9. Segmental Reporting

	9-months ended 30 June 2012					
	Investment holding RM'000	Agro-chemical RM'000	Healthcare Disposables RM'000	Horticulture and Agro- biotechnologies RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External sales	-	39,386	33,300	5,159	-	77,845
Dividend income	2,814	-	-	-	(2,814)	-
Inter-segment sales	-	8,000	72	4	(8,076)	-
Total	2,814	47,386	33,372	5,163	(10,890)	77,845
Results						
Segment results	2,462	3,848	930	29	(2,814)	4,455
Finance costs	-	(85)	(258)	-	-	(343)
Finance income	-	147	-	3	-	150
Profit before taxation	2,462	3,910	672	32	(2,814)	4,262
Taxation						(840)
Profit after taxation						3,422
Attributable to equity holders of the Company						3,422

Geographical Segments for Revenue

	Current Year Quarter 30/6/2012 RM'000	Preceding Year Quarter 30/6/2011 RM'000
Local	20,557	21,526
Export	6,900	5,980
Total	27,457	27,506

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 2011.

The Group's properties were revalued by independent valuers, CB Richard Ellis (Johor) Sdn Bhd and Stoker, Roberts & Gupta (J) Sdn Bhd in April 2012 on the "Open Market Value" basis of valuation. Upon revaluation, the surplus was recognised as Other comprehensive income for the period. Revaluation surplus recognized in earlier revaluation exercises were transferred to Retained Profits, and are deemed to be unrealized.



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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

The changes in contingent liabilities since the last annual balance sheet as at 30 September 2011 is as follows:

	Company	
	As At 30/6/2012 RM'000	As At 30/09/2011 RM'000
Guarantees given to financial institutions for facilities granted to subsidiaries	<u>42,663</u>	<u>42,663</u>

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

	Group	
	As At 30/6/2012 RM'000	As At 30/09/2011 RM'000
Retained earnings of the Company and its subsidiaries		
:		
- Realised	38,082	37,460
- Unrealised	<u>9,903</u>	<u>-</u>
	<u>47,985</u>	<u>37,460</u>
Less : Consolidation adjustments	<u>174</u>	<u>(376)</u>
	<u>48,159</u>	<u>37,084</u>



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

1. Review of Performance of the Group

For the nine (9) months ended 30 June 2012, the Group registered a revenue and profit before tax ("PBT") of approximately RM77.85 million and RM4.26 million respectively.

For the third quarter ended 30 June 2012, the Group registered revenue and PBT of approximately RM27.46 million and RM1.40 million respectively, representing a decrease of 0.18% and 40.51% respectively, compared to the preceding year quarter.

While the Group's sales were maintained at approximately RM27.46 million, gross profit margins have dropped due to lower sales of some higher margined products and higher raw material costs.

2. Comparisons with the Immediate Preceding Quarter's Results

	Current Quarter ended 30 June 2012 (RM'000)	Preceding Quarter ended 31 March 2012 (RM'000)
Revenue	27,457	25,274
Profit before tax	1,395	1,282

For the current quarter under review, the Group recorded higher revenue of approximately RM27.46 million compared to approximately RM25.27 million in the immediate preceding quarter, representing an increase of 8.63%, due mainly to higher sales for the Group's Agrochemical products.

Profit before tax improved by RM0.11million or 8.87% due to higher revenue.

3. Year 2012 Prospects

The global outlook is still faced with a host of uncertainties due to the recent financial crises in Europe. 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 2012.

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 Quarter 30/6/2012 RM'000	Preceding Year Quarter 30/6/2011 RM'000	Current Year to-Date 30/6/2012 RM'000	Preceding Year to-Date 30/6/2011 RM'000
Current taxation	89	486	840	1,303

The effective tax rate of the Group for the current quarter under review is lower than the statutory tax rate of 25% as the Group has unabsorbed capital allowances.

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 Quarter 30/6/2012 RM'000	Preceding Year Quarter 30/6/2011 RM'000	Current Year to-Date 30/6/2012 RM'000	Preceding Year to-Date 30/6/2011 RM'000
Total disposals				
Disposals consideration	-	36	13	36
Cost / Net Book value	-	-	(8)	-
Gain / (Loss) on disposals	-	36	5	36

7. Quoted Securities

(a) Purchases and disposals of quoted securities:

There were no purchases or disposals of quoted securities for the current quarter and the preceding year quarter.

(b) Investments in quoted securities:

	Group	
	As At 30/6/2012 RM'000	As At 30/6/2011 RM'000
At cost	129	129
Less: Accumulated impairment losses	(27)	(16)
	102	113
At market value	103	113



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8. Status of Corporate Proposal

a) Proposed Bonus Issue and Proposed Share Buy-Back

- i. Proposed bonus issue of 20,000,000 new ordinary shares of RM0.50 each in Halex ("Halex share(s)" or "share(s)") ("bonus share(s)") on the basis of one (1) bonus share for every four (4) Halex shares held on an entitlement date to be determined later ("Proposed Bonus Issue"); and
- ii. Proposed purchase by the Company of up to ten percent (10%) of the issued and paid-up share capital ("Proposed Share Buy-Back")

With reference to the announcements made on 1 August 2012, 10 August 2012, 16 August 2012 and 17 August 2012, the Proposed Bonus Issue and Proposed Share Buy-Back is subject to approval by Halex's shareholders at an Extra-ordinary General Meeting to be held on 4 September 2012 for this purpose.

b) Public Issue and Offer for Sale

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:

	Proceeds	Amount Utilised	Amount Unutilised
	RM'000	RM'000	RM'000
Extension/expansion works on factory building and operations	2,000	* 1,437	* -
Nursery land and development cost	1,100	1,100	-
Capital and research and development expenditures	1,500	* 1,455	* -
Repayment of bank borrowings	1,200	1,200	-
Working capital	450	* 1,058	-
Estimated listing expenses	1,550	1,550	-
Total	7,800	7,800	* -

Note :

- * The under-utilization of the listing proceeds were adjusted to working capital and utilized fully in the quarter ended 30 June 2012.



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9. Borrowings

The Group's borrowings as at 30 June 2012 are as follows:

	Secured RM'000
Short-term borrowings	
Bankers acceptances	7,457
Hire purchase	83
Bank overdrafts	-
Term loans	1,231
	<u>8,771</u>
Long-term borrowings	
Term loans	2,599
Total	<u>11,370</u>

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

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

10. Off Balance Sheet Financial Instruments

The Group does not have any off balance sheet financial instruments as at the date of this interim report.

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 Current Year Quarter 30/6/2012	Preceding Year Quarter 30/6/2011	Cumulative Quarter Current Year to-Date 30/6/2012	Preceding Year to-Date 30/6/2011
Profit attributable to equity holders of the Company (RM'000)	1,306	1,859	3,422	3,617
Weighted average number of ordinary shares in issue ('000)	80,000	80,000	80,000	80,000
Basic earnings per share (sen)	1.63	2.32	4.28	4.52



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

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(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
Kuala Lumpur
29 Aug 2012