HALEX HOLDINGS BERHAD (206220-U)

(Incorporated in Malaysia under the Companies Act, 1965)

Interim Report for the 3-month Financial Period Ended 31 December 2012

A. EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD ("MFRS") 134, INTERIM FINANCIAL REPORTING

1. Basis of Preparation

This interim financial report is unaudited and has been prepared in accordance with MFRS 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 also complies with IAS 34: Interim Financial Reporting issued by the International Accounting Standads Board ("IASB"). For the periods up to and including the financial year ended 30 September 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRSs").

This Report is the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the financial year ending 30 September 2013. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied.

The 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 2012.

In preparing its opening MFRS Statement of Financial Position as at 1 October 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group's financial position is set out in Note 2.1 below. These notes include reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

2. Significant Accounting Policies

2.1 Application of MFRS 1

The audited financial statements of the Group for the financial year ended 30 September 2012 were prepared in accordance with FRS. As the requirements under FRS and MFRS are similar, the significant accounting policies adopted in preparing this Report are consistent with those of the audited financial statements for the year ended 30 September 2012 except as discussed below:

Foreign currency translation reserve

Under FRS, the Group recognized translation differences on foreign operations as a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be nil as at the date of transition to MFRS.

Accordingly, at the date of transition to MFRS, the cumulative foreign currency translation differences as at 1 October 2011 was adjusted to retained earnings as at that date as well as at 31 December 2011 and 30 September 2012.

Property, plant and equipment

Under the previous accounting framework, the property, plant and equipment were stated at cost or valuation, as the case may be less accumulated depreciation and impairment loss. The Group revalues its properties comprising land and buildings every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognized in profit or loss.

Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116 Property, Plant and Equipment. At the date of transition to MFRS, the Group uses the fair value as at 30 September 2012 as deemed cost. The revaluation surplus was transferred to retained profits on date of transition to MFRS.

The cumulative surpluses arising from revaluation of properties were transferred to retained profits on 1 October 2011 in accordance with the transitional provisions under MFRS 1.

Investment property

Previously, investment properties of the Group were measured initially at cost and subsequently at fair value with any change therein recognized in profit or loss for the period in which they arise.

Upon transition to MFRS, the Group has elected to measure all its investment properties using the cost model under MFRS 140 Investment Property. At the date of transition to MFRS, the Group uses fair value as at 30 September 2012 as deemed cost. The change in fair value was transferred to retained profits on date of transition to MFRS.

The reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

Reconciliation of equity as at 1 October 2011:-

Dr / (Cr)	FRSs as at 1 October 2011 RM'000	Net effect of transition to MFRS RM'000	MFRSs as at 1 October 2011 RM'000
Exchange reserve	(320)	320	-
Revaluation reserve	(1,387)	1,387	-
Retained profits	(37,084)	(10,183)	(47,267)

Reconciliation of equity as at 31 December 2011:-

Dr / (Cr)	FRSs as at 31 December 2011 RM'000	Net effect of transition to MFRS RM'000	MFRSs as at 31 December 2011 RM'000
Exchange reserve	(320)	320	-
Revaluation reserve	(1,387)	1,387	-
Retained profits	(38,194)	(10,183)	(48,376)

Reconciliation of equity as at 30 September 2012:-

Dr / (Cr)	FRSs as at 30 September 2012 RM'000	Net effect of transition to MFRS RM'000	MFRSs as at 30 September 2012 RM'000
Exchange reserve	(345)	345	-
Revaluation reserve	(9,863)	9,863	-
Retained profits	(29,873)	(10,208)	(40,081)

The reconciliations of the affected financial statements captions reported in accordance with the previous FRS framework and the MFRS framework at the date of transition and the comparative period are provided below:-

At 1 October 2011 (date of transition)

Dr / (Cr)	Property, plant and equipment	Investment property	Revaluation reserve	Exchange reserve	Retained profits
	RM'000	RM'000	RM'000	RM'000	RM'000
As reported previously under FRS	42,193	90	(1,387)	(320)	(37,084)
Impact of adopting MFRS	8,276	200	1,387	320	(10,183)
As reported under MFRS	50,469	290	-	-	47,267

At 30 September 2012

Dr / (Cr)	Property, plant and equipment	Investment property	Revaluation reserve	Exchange reserve	Retained profits
	RM'000	RM'000	RM'000	RM'000	RM'000
As reported previously under FRS	50,007	290	(9,863)	(345)	(29,873)
Impact of adopting MFRS	-	-	9,863	345	(10,208)
As reported under MFRS	50,007	290	-	-	40,081

2.2 Standards issued but not yet effective

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 2012, with the exception of the following MFRS's, Amendments to MFRS's and IC Interpretations which are applicable to the Group for the current financial year :-

Amendments to MFRS 1	Government Loans (Amendments to MFRS 1)
Amendments to MFRS 1	Amendments to MFRS 1 (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7)

Amendments to MFRS 10	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to MFRS 10, MFRS 11 and MFRS 12)
Amendments to MFRS 11	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to MFRS 10, MFRS 11 and MFRS 12)
Amendments to MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to MFRS 10, MFRS 11 and MFRS 12)
Amendments to MFRS 101	Amendment to MFRS 101 (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 116	Amendment to MFRS 116 (Annual Improvements 2009-2011 Cycle
Amendments to MFRS 127	Employee Benefits (IAS 19 as amended by IASB in June 2011)
Amendments to MFRS 28	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
Amendments to MFRS 132	Amendment to MFRS 132 (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 134	Amendment to MFRS 134 (Annual Improvements 2009-2011 Cycle)

IC Interpretations (MFRS Framework)

Amendments to IC Interpretation 2	Amendment to IC Int. 2 (Annual Improvements 2009-2011 Cycle)
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
IC Interpretation 18	Transfer of Assets from Customers
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above MFRS'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 2012 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 6% in respect of the financial year ended 30 September 2012 amounting to RM3.0 million, which will be proposed for shareholders' approval at the forth coming Annual General Meeting.

9. Segmental Reporting

	3-months ended 31 December 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	-	10,686	9,817	1,474	-	21,977
Dividend income	-	-	-	-	-	-
Inter-segment sales	-	1,954	30	-	(1,984)	-
Total	-	12,640	9,847	1,474	(1,984)	21,977
Results						
Segment results	(93)	777	306	(17)	-	973
Finance costs	-	(30)	(75)	-	-	(105)
Finance income	-	59	6	1	-	66
Profit before taxation	(93)	806	237	(16)	-	934
Taxation						(202)
Profit after taxation						732
Attributable to equity holders of the Company						732

Geographical Segments for Revenue

	Current Year Quarter 31/12/2012 RM'000	Preceding Year Quarter 31/12/2011 RM'000
Local	15,868	19,367
Export	6,109	5,746
Total	21,977	25,113

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 2012.

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.

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 2012 is as follows:

	Company	
	As At 31/12/2012 RM'000	**As At 30/09/2012 RM'000**
Guarantees given to financial institutions for facilities granted to subsidiaries	42,663	42,663

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

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 31/12/2012 RM'000	**As At 30/09/2012 RM'000**
Retained earnings of the Company and its subsidiaries :		
- Realised	31,057	30,093
- Unrealised	9,237	(394)
	40,294	29,699
Less : Consolidation adjustments	519	174
	40,813	29,873

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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 quarter ended 31 December 2012, the Group registered a revenue and profit before tax (“PBT”) of approximately RM21.98 million and RM0.93 million respectively, representing a decrease of 12.49% and 41.11% respectively, compared to the preceding year quarter.

While the Group’s agrochemicals sales dropped by 11.05% due to lower demand resulting from weakening commodities prices, eg. Palm oil and rubber, and uncertainties arising from rising raw materials prices, the Group’s healthcare disposable products sales were lower by 14.41% due mainly to a loss of some tender business. Horticulture product sales were 9.55% due to unfavourable exchange rate movements.

Gross profits declined by RM0.72 million or 11.83% against the preceding year quarter due to the lower revenue, while gross profit margins remained fairly constant at above 24%.

2. Comparisons with the Immediate Preceding Quarter’s Results

	Current Quarter ended 31 Dec 2012 (RM’000)	Preceding Quarter ended 30 Sep 2012 (RM’000)
Revenue	21,977	24,192
Profit before tax	934	1,156

For the current quarter under review, the Group recorded lower revenue of approximately RM21.98 million compared to approximately RM24.19 million in the immediate preceding quarter, representing a drop of 9.16%, due mainly to a drop in sales for the Group’s Agrochemical and healthcare disposable products. This was due to a drop in demand of herbicides due to a rise in raw materials prices, and a loss of some tender business.

Profit before tax decreased by RM0.22million or 19.24% due to the lower revenue.

3. Year 2013 Prospects

The global outlook is still faced with a host of uncertainties due to the recent financial crises in USA, Europe, and slower economic growth in Asia. 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 2013.

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 31/12/2012 RM/000	Preceding Year Quarter 31/12/2011 RM'000	Current Year to-Date 31/12/2012 RM'000	Preceding Year to-Date 31/12/2011 RM'000
Current taxation	202	476	202	476

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 30/9/2012 RM'000	Preceding Year Quarter 30/9/2011 RM'000	Current Year to-Date 30/9/2012 RM'000	Preceding Year to-Date 30/9/2011 RM'000
Total disposals				
Disposals consideration	370	1	370	1
Cost / Net Book value	(350)	(1)	(350)	(1)
Gain / (Loss) on disposals	20	-	20	-

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 31/12/2012 RM'000	As At 30/9/2012 RM'000
At cost	129	129
Less: Accumulated impairment losses	(27)	(27)
	102	102
At market value	109	102

8. Status of Corporate Proposal

There were no corporate proposals announced but not completed as at the date of this report.

9. Borrowings

The Group's borrowings as at 31 December 2012 are as follows:

	Secured RM'000
Short-term borrowings	
Bankers acceptances	3,747
Hire purchase	76
Term loans	1,231
	5,054
Long-term borrowings	
Term loans	1,982
Total	7,036

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. Material Litigation

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

11. 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 Quarter 31/12/2012	Preceding Year Quarter 31/12/2011	Current Year to-Date 31/12/2012	Preceding Year to-Date 31/12/2011
Profit attributable to equity holders of the Company (RM'000)	732	1,109	732	1,109
Weighted average number of ordinary shares in issue ('000)	100,000	80,000	100,000	80,000
Basic earnings per share (sen)	0.73	1.39	0.73	1.39

(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
28 February 2013