



## Interim Report for the 9-month Financial Period Ended 30 June 2013

### A. EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN 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 Standards 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 forms 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 30 June 2012 and 30 September 2012.



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### **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.



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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	<u>(37,084)</u>	<u>(10,183)</u>	<u>(47,267)</u>

Reconciliation of equity as at 30 June 2012:-

Dr / (Cr)	FRSs as at 30 June 2012 RM'000	Net effect of transition to MFRS RM'000	MFRSs as at 30 June 2012 RM'000
Exchange reserve	(323)	323	-
Revaluation reserve	-	-	-
Retained profits	<u>(48,159)</u>	<u>(323)</u>	<u>(48,482)</u>

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	<u>(29,873)</u>	<u>(10,208)</u>	<u>(40,081)</u>



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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 RM'000	Investment property RM'000	Revaluation reserve RM'000	Exchange reserve RM'000	Retained profits 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 RM'000	Investment property RM'000	Revaluation reserve RM'000	Exchange reserve RM'000	Retained profits 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 :-

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)



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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 MFS 119	Employee Benefits [Superceded with effect from 1 Jan 2013 by MFRS 119 (IAS 19 as amended by IASB in Jun 2011)]
Amendments to MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
Amendments to MFRS 128	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

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.



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**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 was approved by shareholders at the Annual General Meeting held on 28 March 2013. The dividend was paid on 6 June 2013.

**9. Segmental Reporting**

	9-months ended 30 June 2013					Consolidated RM'000
	Investment holding RM'000	Agro- chemical RM'000	Healthcare Disposables RM'000	Horticulture and Agro- biotechnologies RM'000	Eliminations RM'000	
<b>Revenue</b>						
External sales	-	36,882	29,965	4,493	-	71,340
Dividend income	3,080	-	-	-	(3,080)	-
Inter-segment sales	-	6,659	72	2	(6,733)	-
<b>Total</b>	<b>3,080</b>	<b>43,541</b>	<b>30,037</b>	<b>4,495</b>	<b>(9,813)</b>	<b>71,340</b>
<b>Results</b>						
Segment results	2,705	3,128	927	(431)	(3,080)	3,249
Finance costs	-	(94)	(178)	-	-	(272)
Finance income	-	188	23	3	-	214
Profit before taxation	2,705	3,222	772	(428)	(3,080)	3,191
Taxation						(785)
Profit after taxation						2,406
Attributable to equity holders of the Company						2,406



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**Geographical Segments for Revenue**

	<b>Current Year Quarter 30/6/2013 RM'000</b>	<b>Preceding Year Quarter 30/6/2012 RM'000</b>
Local	19,123	20,557
Export	5,406	6,900
<b>Total</b>	<b>24,529</b>	<b>27,457</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 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 contingent liabilities since the last annual balance sheet as at 30 September 2012 is as follows:

	<b>Company</b>	
	<b>As At 30/6/2013 RM'000</b>	<b>As At 30/09/2012 RM'000</b>
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.



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

	<b>Group</b>	
	<b>As At 30/6/2013 RM'000</b>	<b>As At 30/09/2012 RM'000</b>
Retained earnings of the Company and its subsidiaries		
:		
- Realised	29,671	30,093
- Unrealised	9,583	9,814
	39,254	39,907
Less : Consolidation adjustments	174	174
	39,428	40,081





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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 30 June 2013, the Group registered a revenue and profit before tax ("PBT") of approximately RM24.53 million and RM1.41 million respectively, representing a decrease of 10.67% and increase of 1.31% respectively, compared to the preceding year quarter.

The Group's agrochemicals, healthcare disposables and horticulture products sales decreased by 13.44%, 5.09% and 20.52% respectively. While Agrochemicals sales dropped due to lower herbicides sales, the Group's healthcare disposable products sales were lower due mainly to a loss of some tender business, while Horticulture product sales was lower due to unfavourable exchange rate movements and lower production.

Gross profits declined by RM0.46 million or 6.83% against the preceding year quarter due to lower sales of agrochemicals and horticulture products. Healthcare disposable products gross profits however increased by 4.84% due to lower sales of low margined tissue products.

**2. Comparisons with the Immediate Preceding Quarter's Results**

	Current Quarter ended 30 Jun 2013 (RM'000)	Preceding Quarter ended 31 Mar 2013 (RM'000)
Revenue	24,529	24,834
Profit before tax	1,413	844

For the current quarter under review, the Group recorded slightly lower revenue of approximately RM24.53 million compared to approximately RM24.83 million in the immediate preceding quarter, representing a decrease of 1.23%, due mainly to a decrease in sales for the Group's horticulture business.

Profit before tax however improved by RM0.57million or 67.54% due to improved gross profit margins especially from agrochemicals due to higher sales of proprietary products. Healthcare disposables gross profits and gross profit margins also improved due to higher sales of wipes and cotton products.

**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 for its agrochemical and healthcare disposable businesses. The horticulture business however will not perform as well due to the continued weakening of the Japanese Yen, while production will take time to improve as expansion of the new nursery is still ongoing.

**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 30/6/2013 RM'000	Preceding Year Quarter 30/6/2012 RM'000	Current Year to-Date 30/6/2013 RM'000	Preceding Year to-Date 30/6/2012 RM'000
Current taxation	351	89	785	840

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 unutilized 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 30/6/2013 RM'000	Preceding Year Quarter 30/6/2012 RM'000	Current Year to-Date 30/6/2013 RM'000	Preceding Year to-Date 30/6/2012 RM'000
Total disposals				
Disposals consideration	-	-	370	13
Cost / Net Book value	-	-	(350)	(8)
Gain / (Loss) on disposals	-	-	20	5

**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 30/6/2013 RM'000	As At 30/9/2012 RM'000
At cost	129	129
Less: Accumulated impairment losses	(13)	(27)
	<u>116</u>	<u>102</u>
At market value	<u>116</u>	<u>102</u>

**8. Status of Corporate Proposal**

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



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**9. Borrowings**

The Group's borrowings as at 30 June 2013 are as follows:

	<b>Secured RM'000</b>
<b>Short-term borrowings</b>	
Bankers acceptances	4,973
Hire purchase	68
Term loans	<u>1,231</u>
	6,272
<b>Long-term borrowings</b>	
Term loans	<u>1,363</u>
Total	<u><u>7,635</u></u>

There was 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.

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current Year Quarter 30/6/2013</b>	<b>Preceding Year Quarter 30/6/2012</b>	<b>Current Year to-Date 30/6/2013</b>	<b>Preceding Year to-Date 30/6/2012</b>
Profit attributable to equity holders of the Company (RM'000)	1,062	1,306	2,406	3,422
Weighted average number of ordinary shares in issue ('000)	100,000	80,000	100,000	80,000
Basic earnings per share (sen)	1.06	1.63	2.41	4.28



**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 shares 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 August 2013