



Interim Report for the 6-month Financial Period Ended 31 March 2014

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 issued by the Malaysian Accounting Standards Board (“MASB”), and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

This unaudited interim financial report should be read in conjunction with the annual audited financial statements of the Group for the financial year ended 30 September 2013. For the periods up to and including the year ended 30 September 2013, the Group prepared its financial statements in accordance with the Malaysian Financial Reporting Standards (“MFRS”).

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 2013

2. Significant Accounting Policies

The financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and IC interpretations of the MFRS that have been issued by the MASB but are not yet effective and have not been adopted by the Group:-

Effective for financial periods beginning on or after 1 January 2014

MFRS 10	Investment Entities (Amendments to MFRS 10, MFRS 12 and MRFS 127)
MFRS 12	Investment Entities (Amendments to MFRS 10, MFRS 12 and MRFS 127)
MFRS 127	Investment Entities (Amendments to MFRS 10, MFRS 12 and MRFS 127)
MFRS 132	Amendments to MFRS 132 Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)
MFRS 136	Amendments to MFRS 136 Recoverable Amount Disclosures for Non-Financial Assets
MFRS 139	Amendments to MFRS 139 Novation of Derivatives and Continuation of Hedge Accounting
IC Int 21	Levies



Interim Report for the 6-month Financial Period Ended 31 March 2014

Effective for financial periods beginning on or after 1 July 2014

MFRS 2	Amendments to MFRS 2 (Annual Improvements to MFRSs 2010-2012 Cycle)
MFRS 3	Amendments to MFRS 3 (Annual Improvements to MFRSs 2010-2012 Cycle)
MFRS 3	Amendments to MFRS 3 (Annual Improvements to MFRSs 2011-2013 Cycle)
MFRS 8	Amendments to MFRS 8 (Annual Improvements to MFRSs 2010-2012 Cycle)
MFRS 13	Amendments to MFRS 13 (Annual Improvements to MFRSs 2011-2013 Cycle)
MFRS 116	Amendments to MFRS 116 (Annual Improvements to MFRSs 2010-2012 Cycle)
MFRS 119	Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions
MFRS 124	Amendments to MFRS 124 (Annual Improvements to MFRSs 2010-2012 Cycle)
MFRS 138	Amendments to MFRS 138 (Annual Improvements to MFRSs 2010-2012 Cycle)
MFRS 140	Amendments to MFRS 140 (Annual Improvements to MFRSs 2011-2013 Cycle)

The adoption of the above MFRS's, amendments and interpretations does 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 2013 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.



Interim Report for the 6-month Financial Period Ended 31 March 2014

7. Details of Changes in Debts and Equity Securities

Except for the repurchase of 27,500 ordinary shares of RM0.50 each of the Company's issued share capital from the open market for a total consideration of RM17,997 at the average price of RM0.65 per share retained as treasury shares, there were no issuance, cancellation, repurchase, resale or repayment of debt and/or equity securities, other share buy-backs, share cancellations, other 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 propose a final single tier dividend of 5% in respect of the financial year ended 30 September 2013 amounting to RM2.50 million, which was approved by the shareholders at the Annual General Meeting held on 31 March 2014.

9. Segmental Reporting

	6-months ended 31 March 2014					Consolidated RM'000
	Investment holding RM'000	Agro- chemical RM'000	Healthcare Disposables RM'000	Horticulture and Agro- biotechnologies RM'000	Eliminations RM'000	
Revenue						
External sales	-	23,930	19,268	2,588	-	45,786
Inter-segment sales	-	4,870	51	4	(4,925)	-
Total	-	28,800	19,319	2,592	(4,925)	45,786
Results						
Segment results	(293)	1,721	114	(279)	-	1,263
Finance costs	-	(84)	(95)	-	-	(179)
Finance income	-	167	19	3	-	189
Profit before taxation	(293)	1,804	38	(276)	-	1,273
Taxation						(442)
Profit after taxation						831
Attributable to equity holders of the Company						831

Geographical Segments for Revenue

	Current Year Quarter 31/3/2014 RM'000	Preceding Year Quarter 31/3/2013 RM'000
Local	18,286	19,055
Export	4,695	5,779
Total	22,981	24,834



Interim Report for the 6-month Financial Period Ended 31 March 2014

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 2013.

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 recognized 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 2013 is as follows:

	Company	
	As At 31/3/2014 RM'000	As At 30/09/2013 RM'000
Guarantees given to financial institutions for facilities granted to subsidiaries	<u>42,873</u>	<u>42,873</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

The Group had on 18 April 2014, through its wholly owned subsidiary, Halex Realty Sdn Bhd ("HRSB") entered into a Heads of Agreement with Bestempire Limited for the proposed acquisition of 1,250,000 ordinary shares of RM1.00 each in Kensington Development Sdn Bhd ("KDSB") constituting 25% of the issued and paid up share capital of KDSB ("Proposed Acquisition").

Subsequently on 25 April 2014, HRSB entered into a Conditional Share Acquisition Agreement ("SAA") with Bestempire Limited for the Proposed Acquisition, for a total cash consideration of RM22.0 million.



Interim Report for the 6-month Financial Period Ended 31 March 2014

15. Disclosure On Realised and Unrealised Profits / Losses

	Group	
	As At 31/3/2014 RM'000	As At 30/09/2013 RM'000
Retained earnings of the Company and its subsidiaries:		
- Realised	32,732	32,359
- Unrealised	(394)	(394)
	31,338	31,964
Less : Consolidation adjustments	167	(290)
	32,505	31,674



Interim Report for the 6-month Financial Period Ended 31 March 2014

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 March 2014, the Group registered a revenue of approximately RM22.98 million, representing an decrease of 7.46% compared to the preceding year quarter. Profit before tax ("PBT") reduced from RM0.84 million to RM0.52 million accordingly, ie. a decline of 38.01%.

The Group's agrochemical products sales decreased by 7.06% due to low demand resulting from a unusually long dry season. Healthcare disposable and horticulture product sales decreased 6.71% and 15.32% respectively. Healthcare disposable products sales declined on lower demand. The Group's Horticulture product sales were lower due to lower production.

Gross profits declined by RM0.23 million or 3.97% against the preceding year quarter due to lower sales of agrochemicals and horticulture products. While Healthcare disposable product gross profits improved on lower repair and maintenance expenses.

Profit before tax suffered a decline of RM0.32 million or 38.01% due mainly to lower sales resulting from an unusually long dry season affecting sales and profit margins for the agrochemicals business

2. Comparisons with the Immediate Preceding Quarter's Results

	Current Quarter ended 31 Mar 2014 (RM'000)	Preceding Quarter ended 31 Dec 2013 (RM'000)
Revenue	22,981	22,804
Profit before tax	523	750

For the current quarter under review, the Group recorded slightly higher revenue of approximately RM0.18 million compared to approximately RM22.80 million in the immediate preceding quarter, representing an increase of 0.78%, due mainly to higher sales for the Group's agrochemical and horticulture business of 3.79% and 14.89% respectively.

Profit before tax suffered a decline of RM0.23 million or 30.25% due mainly to an unusually long dry season affecting profit margins for the agrochemicals sales.

3. Year 2014 Prospects

The global outlook is still faced with a host of uncertainties due to slower economic growth and conflict tensions 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 2014 for its agrochemical and healthcare disposable businesses. The horticulture business however will not perform as well due to the continued weakness 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.



Interim Report for the 6-month Financial Period Ended 31 March 2014

5. Taxation

The taxation figures are as follows:

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/3/2014 RM'000	Preceding Year Quarter 31/3/2013 RM'000	Current Year to-Date 31/3/2014 RM'000	Preceding Year to-Date 31/3/2013 RM'000
Current taxation	139	231	442	433

The effective tax rate of the Group for the current quarter under review is higher than the statutory tax rate of 25% as one of the main subsidiaries incurred losses during the financial year.

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 31/3/2014 RM'000	Preceding Year Quarter 31/3/2013 RM'000	Current Year to-Date 31/3/2014 RM'000	Preceding Year to-Date 31/3/2013 RM'000
Total disposals				
Disposals consideration	-	-	-	370
Cost / Net Book value	-	-	-	(350)
Gain / (Loss) on disposals	-	-	-	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 31/3/2014 RM'000	As At 30/9/2013 RM'000
At cost	129	129
Less: Accumulated impairment losses	-	(1)
Unrealised gain on investments	38	-
	<u>167</u>	<u>128</u>
At market value	<u>167</u>	<u>128</u>



Interim Report for the 6-month Financial Period Ended 31 March 2014

8. Status of Corporate Proposal

The Group had on 18 April 2014, through its wholly owned subsidiary, Halex Realty Sdn Bhd (“HRSB”) entered into a Heads of Agreement with Bestempire Limited for the proposed acquisition of 1,250,000 ordinary shares of RM1.00 each in Kensington Development Sdn Bhd (“KDSB”) constituting 25% of the issued and paid up share capital of KDSB (“Proposed Acquisition”).

Subsequently on 25 April 2014, HRSB entered into a Conditional Share Acquisition Agreement (“SAA”) with Bestempire Limited for the Proposed Acquisition, for a total cash consideration of RM22.0 million.

The Company has paid a 10% deposit sum on 8 May 2014 and awaiting completion of the due diligence and financing facilities with financial institutions before the completion date.

9. Borrowings

The Group’s borrowings as at 31 March 2014 are as follows:

	Secured RM’000
Short-term borrowings	
Bankers acceptances	4,714
Hire purchase	55
Term loans	<u>1,231</u>
	6,000
Long-term borrowings	
Term loans	<u>436</u>
Total	<u><u>6,436</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. Litigation

In December 2012, the Group was served with a Shah Alam Session Court Writ of Summons and Statement of Claim by Loscam (Malaysia) Sdn Bhd for claims of overdue outstanding amount of RM89,387 for the rental of pallets as at 31 January 2012.

In 18 February 2013, the Group in its Statement of Defence had counter claimed the same supplier, Loscam (Malaysia) Sdn Bhd for overcharging of rental fee amounting to RM204,890 for the years from 2007 to 2010.

The hearing for the case was completed on 26 May 2014 and is awaiting a court decision. The Group has made a provision for the amount of RM89,387 in the financial statements.



Interim Report for the 6-month Financial Period Ended 31 March 2014

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 31/3/2014	Preceding Year Quarter 31/3/2013	Current Year to-Date 31/3/2014	Preceding Year to-Date 31/3/2013
Profit attributable to equity holders of the Company (RM'000)	384	613	831	1,344
Weighted average number of ordinary shares in issue ('000)	100,000	100,000	100,000	100,000
Basic earnings per share (sen)	0.38	0.61	0.83	1.34

(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
29 May 2014