



Interim Report for the 9-month Financial Period Ended 30 June 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 MFRS 127)
MFRS 12	Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)
MFRS 127	Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)
MFRS 132	Financial Instruments: Presentation : Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)
MFRS 136	Recoverable Amount : Disclosures for Non-Financial Assets (Amendments to MFRS 136)
MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting (Amendments to MFRS 139)
IC Int 21	Levies



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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	Defined Benefit Plans: Employee Contributions (Amendments to MFRS 119)
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)

Effective for financial periods beginning on or after 1 January 2016

MFRS 11	Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)
MFRS 14	Regulatory Deferral Accounts
MFRS 116	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138)
MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138)

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.



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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

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. The dividend was paid on 17 June 2014.



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9. Segmental Reporting

	9-months ended 30 June 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	-	39,535	27,981	3,836	-	71,352
Dividend income	2,544	-	-	-	(2,544)	-
Inter-segment sales	-	7,470	69	4	(7,543)	-
Total	2,544	47,005	28,050	3,840	(10,087)	71,352
Results						
Segment results	2,133	3,073	184	(313)	(2,544)	2,533
Finance costs	-	(112)	(144)	-	-	(256)
Finance income	-	242	21	4	-	267
Profit before taxation	2,133	3,203	61	(309)	(2,544)	2,544
Taxation						(786)
Profit after taxation						1,758
Attributable to equity holders of the Company						1,758

Geographical Segments for Revenue

	Current Year Quarter 30/06/ 2014 RM'000	Preceding Year Quarter 30/06/2013 RM'000
Local	18,914	19,123
Export	6,652	5,406
Total	25,566	24,529

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.



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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 contingent liabilities since the last annual balance sheet as at 30 September 2013 is as follows:

	Company	
	As At 30/ 06/2014 RM'000	As At 30/ 09/2013 RM'000
Guarantees given to financial institutions for facilities granted to subsidiaries	42,873	42,873

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.

The Group announced on 24 July 2014 that the Share Acquisition Agreement had become unconditional on that same day, and that Bestempire Limited and HRSB have mutually agreed to have forty five (45) days from that date to complete the proposed Acquisition.

15. Disclosure On Realised and Unrealised Profits / Losses

	Group	
	As At 30/06/ 2014 RM'000	As At 30/09/ 2013 RM'000
Retained earnings of the Company and its subsidiaries:		
- Realised	31,139	32,359
- Unrealised	(394)	(394)
	30,745	31,964
Less : Consolidation adjustments	167	(290)
	30,912	31,674

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



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1. Review of Performance of the Group

For the quarter ended 30 June 2014, the Group registered a revenue of approximately RM25.56 million, representing an increase of 4.23% compared to the preceding year quarter. Profit before tax ("PBT") however reduced from RM1.41 million to RM1.27 million, ie. a decline of 10.08%.

The Group's agrochemical product sales increased by 19.28%, due to higher sales of herbicides, including the launching of a new proprietary herbicide. Healthcare disposable and horticulture product sales however, decreased 13.40% and 9.87% respectively. Healthcare disposable products sales declined on lower OEM sales. The Group's Horticulture product sales were lower due to lower production.

Gross profits declined by RM0.69 million or 11.04% against the preceding year quarter due to lower sales of healthcare disposable and horticulture products. While agrochemicals gross profits declined due to higher sales of herbicides which have lower margins.

Profit before tax showed a decline of RM0.13 million or 12.75% due mainly to lower margins.

2. Comparisons with the Immediate Preceding Quarter's Results

	Current Quarter ended 30 Jun 2014 (RM'000)	Preceding Quarter ended 31 Mar 2014 (RM'000)
Revenue	25,566	22,981
Profit before tax	1,271	523

For the current quarter under review, the Group recorded a 11.25% higher revenue compared to approximately RM22.98 million in the immediate preceding quarter, due mainly to higher sales for the Group's agrochemicals of 28.04%.

Profit before tax improved from RM0.52 million to RM1.27 million due mainly to the increase in 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, Africa and Eastern 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 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.

5. Taxation

The taxation figures are as follows:

Individual Quarter

Cumulative Quarter



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	Current Year Quarter 30/06/ 2014 RM'000	Preceding Year Quarter 30/06/ 2013 RM'000	Current Year to-Date 30/06/2014 RM'000	Preceding Year to-Date 30/06/2013 RM'000
Current taxation	344	351	786	785

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 30/ 06/2014 RM'000	Preceding Year Quarter 30/06/2013 RM'000	Current Year to-Date 30/06/2014 RM'000	Preceding Year to-Date 30/06/2013 RM'000
Total disposals				
Disposals consideration	86	-	86	370
Cost / Net Book value	(48)	-	(48)	(350)
Gain / (Loss) on disposals	38	-	38	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 30/ 06/2014 RM'000	As At 30/ 09/2013 RM'000
At cost	129	129
Less: Accumulated impairment losses	-	(1)
Unrealised gain on investments	45	-
	<u>174</u>	<u>128</u>
At market value	<u>174</u>	<u>128</u>

8. Status of Corporate Proposal



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a. Halex Realty Sdn Bhd (“HRSB”) proposed acquisition of 25% of the issued and paid up capital of Kensington Development Sdn Bhd (“KDSB”) (Proposed Acquisition) :

The Group had on 18 April 2014, through its wholly owned subsidiary, 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 KDSB constituting 25% of the issued and paid up share capital of KDSB. 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.

The Group announced on 24 July 2014 that the Share Acquisition Agreement had become unconditional on that same day, and that Bestempire Limited and HRSB have mutually agreed to have forty five (45) days from that date to complete the proposed Acquisition.

b. Proposed Private Placement of up to 10,000,000 new ordinary shares of RM0.50 each in Halex Holdings Bhd (“HALEX”), representing up to 10% of the issued and paid up share capital of HALEX (“Proposed Private Placement”) :

HALEX had on 19 June 2014 applied to Bursa Malaysia Securities Berhad (“Bursa Securities”) for a proposed private placement of up to 10,000,000 new ordinary shares of RM0.50 each in HALEX, representing 10% of the issued and paid up share capital of HALEX.

Bursa Securities approved the Proposed Private Placement on 23 June 2014, subject to the following conditions:

- i. Halex and Kenanga Investment Bank Berhad (“KIBB”) must fully comply with the relevant provisions under the Main Market Listing Requirement pertaining to the implementation of the Proposed Private Placement;
- ii. Halex and Kenanga to inform Bursa Securities upon completion of the Proposed Private Placement; and
- iii. Halex to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval once the Proposed Private Placement is completed.

The Group is still in the process of finalizing the Proposed Private Placement.

9. Borrowings



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The Group's borrowings as at 30 June 2014 are as follows:

	Secured RM'000
Short-term borrowings	
Bankers acceptances	5,721
Hire purchase	50
Term loans	<u>1,231</u>
	<u>7,002</u>
Long-term borrowings	
Term loans	<u>127</u>
Total	<u><u>7,129</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 the court decision passed on 11 Aug 2014 was that both plaintiff's and defendant's claims were dismissed with no order as to costs. Both parties have filed an appeal on 25 Aug 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 30/06/ 2014	Preceding Year Quarter 30/06/ 2013	Current Year to-Date 30/06/2014	Preceding Year to-Date 30/06/2013
Profit attributable to equity holders of the Company (RM'000)	927	1,062	1,758	2,406
Weighted average number of ordinary shares in issue ('000)	100,000	100,000	100,000	100,000
Basic earnings per share (sen)	<u>0.93</u>	<u>1.06</u>	<u>1.76</u>	<u>2.41</u>

(b) Diluted



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

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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 Aug 2014