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 2014. For the periods up to and including the year ended 30 September 2014, 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 2014.

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 2016

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture : Bearer Plants
Annual Improvements to MFRSs 2012-2014 Cycle	

Effective for financial periods beginning on or after 1 January 2017

MFRS 15	Revenue from Contracts with Customers

Effective for financial periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)

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 2014 were not subject to any qualification.

4. Seasonal or Cyclical Factors

The Group's agrochemical and horticulture businesses are sensitive to prolonged extreme weather conditions.

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 during the current quarter under review and financial year to-date.

8. Dividend

There were no dividends proposed or paid during the quarter under review.

9. Segmental Reporting

	9-months ended 30 June 2015					
	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	-	42,131	29,963	10,663	-	82,757
Inter-segment sales	-	8,458	54	15	(8,527)	-
Total	-	50,589	30,017	10,678	(8,527)	82,757
Results						
Segment results	(1,008)	4,080	492	225	-	3,789
Finance costs	(622)	(125)	(140)	(58)	-	(945)
Finance income	1	46	7	3	-	57
Profit/(Loss) before taxation	(1,629)	4,001	359	170	-	2,901
Taxation						(1,034)
Profit after taxation						1,867

Geographical Segments for Revenue

	Current Year Quarter 30/06/2015 RM'000	Preceding Year Quarter 30/06/2014 RM'000
Local	18,535	18,914
Export	4,956	6,652
Total	23,491	25,566

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 2014.

11. Changes in the Composition of the Group

a. On 17 October 2014, Halex Realty Sdn Bhd ("Halex Realty") completed the acquisition of 1,250,000 shares of RM1.00 each of Kensington Development Sdn Bhd ("KDSB"), representing 25% of the issued and paid up share capital of KDSB, thereby KDSB becomes an associated company of Halex Realty, and of the Group. Detailed information has been disclosed in Note B.8.a..

b. The Company had also on 28 January 2015 acquired 2 ordinary shares of RM1.00 each, representing 100% of the issued and paid up capital of Halex International Sdn Bhd ("HISB") for a total consideration of RM2.00.

HISB was incorporated on 1 December 2014 in Malaysia as a private limited company under the Companies Act, 1965 with an authorized capital of RM400,000 comprising 400,000 ordinary shares of RM1.00 each. HISB's current paid up capital is RM2.00. HISB was incorporated with the intended principal activity of general trading, and it is currently dormant.

12. Contingent Liabilities

The contingent liabilities are as follows:

	Company	
	As At 30/06/2015 RM'000	As At 30/09/2014 RM'000
Guarantees given to financial institutions for facilities granted to subsidiaries	44,873	44,873

13. Capital Commitments

The capital commitment is as follow.

	Group	
	As At 30/06/2015 RM'000	As At 30/09/2014 RM'000
Capital commitment:		
Contracted but not provided for		
: balance purchase price of a piece of land	425	-

14. Material Events Subsequent to the End of the Interim Reporting Period

There are no material events subsequent to the end of the current quarter except for those disclosed under Notes B.8.b. c. and d. below.

15. Disclosure On Realised and Unrealised Profits / (Losses)

	Group	
	As At 30/06/2015 RM'000	As At 30/09/2014 RM'000
Retained earnings of the Company and its subsidiaries:		
- Realised profit	33,404	31,647
- Unrealised losses	(386)	(458)
	33,018	31,189
Less : Consolidation adjustments	196	158
Total retained profits	33,214	31,347

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

HALEX GROUP

Interim Report for the 9-months Financial Period Ended 30 June 2015

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

1. Review of Performance of the Group

	Current year Quarter ended 30/06/2015 (RM'000)	Preceding year Quarter ended 30/06/2014 (RM'000)
Revenue	23,941	25,566
Gross profits	6,040	5,556
Profit before tax	824	1,271

For the quarter ended 31 March 2015, the Group registered revenue of approximately RM23.94 million, which was 8.1% lower than the preceding year quarter.

The Group's agrochemicals sales declined due to mainly to lower herbicides sales, which was a result of the imposition of sales restrictions on one of the herbicide products. Gross profit margins however, improved due to higher insecticides sales.

Healthcare disposable products sales improved by approximately 20.9% due partly to higher export sales and appointment of a new distributor. Gross profits also improved in line with the higher sales.

The horticulture division recorded a decrease in revenue of 25.2% and gross profits of 53.2% in the current year quarter as compared to preceding year quarter mainly due to lower demand and low auction prices from the Japan market.

Profit before tax declined to RM0.82 million due to expenses incurred for the corporate proposal.

2. Comparisons with the Immediate Preceding Quarter's Results

	Current Quarter ended 30/06/2015 (RM'000)	Preceding Quarter ended 31/03/2015 (RM'000)
Revenue	23,941	31,244
Profit before tax	824	1,179

The revenue of the Group for the current quarter under review is lower than the immediate preceding quarter by 24.81% .This is mainly due to recognition of project revenue of RM7.4 million from a landscape project in the preceding year quarter by the horticulture division.

Profit before tax of the Group reduced on lower sales and expenses incurred for the corporate proposal.

3. Year 2015 Prospects

Due to the recent drop in commodities prices, especially palm oil, as well as the weakness in the Ringgit Malaysia, the Board expects consumer sentiment to be dampened and expects that profits for the current financial year may be affected.

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	
	Current Year Quarter 30/06/2015 RM'000	Preceding Year Quarter 30/06/2014 RM'000	Current Year to-Date 30/06/2015 RM'000	Preceding Year to-Date 30/06/2014 RM'000
Income tax expense	249	344	1,034	786

The effective tax rate of the Group for the current quarter under review is higher than the statutory tax rate of 25% due to two of the main subsidiaries incurred losses during the financial year-to-date.

6. Sales of Unquoted Investments and/or Properties

There were no disposals of unquoted investments and/or property during the current quarter and preceding year quarter under review and financial year to-date.

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 30/06/2015 RM'000	As At 30/09/2014 RM'000
As at beginning of period/year	178	129
(Loss)/gain in fair value adjustment	(24)	49
As at end of the period/year	154	178
At market value	154	178

8. Status of Corporate Proposal

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 1") :

The Group had on 18 April 2014, through its wholly owned subsidiary, HRSB entered into Heads of Agreement with Bestempire Limited ("Bestempire") 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 for the Proposed Acquisition 1, 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 and HRSB have mutually agreed to have forty five (45) days from that date to complete the Proposed Acquisition 1.

As announced to Bursa Malaysia Securities Berhad ("Bursa Securities") on 1 October 2014, full settlement for the investment was made, and share transfers were executed on 17 October 2014.

b. Proposed acquisition by Halex Realty Sdn Bhd ("HRSB") of the remaining 75% equity interest in Kensington Development Sdn Bhd ("KDSB") comprising 3,750,000 ordinary shares of RM1.00 each ("KDSB Shares") from Bestempire Limited via Cash ("Proposed Acquisition 2")

The Group had on 1 October 2014 accepted a conditional offer made by Bestempire Limited ("Bestempire") for HRSB to acquire an additional 2,500,000 ordinary shares of RM1.00 each, representing an additional 50% equity interest in KDSB from Bestempire for an indicative offer price of RM32,000,000 ("Offer Price") to be settled by cash. Subsequently, on 30 January 2015 the Board announced that it had requested and obtained consent from Bestempire for an extension of the offer period of the Conditional Offer until 20 March 2015 to finalise its due diligence review.

Further thereto, the Board announced that HRSB had on 20 March 2015 entered into a conditional share acquisition agreement ("SAA") with Bestempire to acquire the remaining 75% equity interest in KDSB comprising 3,750,000 KDSB Shares for a cash consideration of RM21,000,000.

In conjunction with the Proposed Acquisition 2, HRSB will undertake to settle the outstanding shareholder's loan advanced by Bestempire to KDSB which, at the date of the SAA, is RM3,692,333.87 and will not, at the completion of the SAA, exceed RM3,692,333.87.

Upon completion of the acquisition of the KDSB Shares, the shareholdings of HRSB in KDSB will increase from 25% to 100%. KDSB will convert from being an associate company of HRSB to become its wholly owned subsidiary company.

In conjunction with the Proposed Acquisition 2, the Board proposes to diversify the existing core business to include property development.

The completion of the SAA is conditional upon the following conditions being satisfied within a period of four (4) months from the date of the SAA or within such further period as may be mutually agreed upon by the parties in writing, namely:

(i) the approval of the shareholders of Halex for the acquisition of the Sale Shares, as well as for the diversification of the business carried out by Halex and its group of companies, to be obtained in an extraordinary general meeting to be convened;

(ii) the approval or consent of any third party to the sale and purchase of the Sale Shares (if required) in accordance with the terms of any contract or agreement of a material nature entered into between KDSB and such third party;

(iii) the approval or consent of any financier (if required) in accordance with the terms of any banking or financing facilities granted to KDSB; and

(iv) the approval or waiver of any regulatory requirement by any other relevant authorities, if required.

On 15 July 2015, the Board announced that it has sought for and obtained consent from Bestempire to extend the completion of the SAA for a further period of five (5) months until 19 December 2015 to fulfil the conditions precedent stipulated in the SAA.

c. Proposed Diversification of the existing core business of Halex to include property development ("Proposed Diversification")

The Proposed Acquisition 2, as disclosed in 8.(b.) above, is expected to result in a diversion of more than 25% of the net assets of the Group. Thus, the Board proposes to seek shareholders' approval for the proposed diversification of the existing core business of the Group to include property development business pursuant to Paragraph 10.13 of the Main Market Listing Requirements of Bursa Securities.

The Proposed Diversification is intended to be part of a long term plan to move the Group forward by expanding the Group's income stream and further strengthening the Group's financial position.

The Proposed Acquisition 2 and Proposed Diversification ("Proposals 1") are subject to the following approvals being obtained:

a) The shareholders of Halex at an Extraordinary General Meeting to be convened; and

b) Any other relevant authorities, if required.

The Proposals 1 are inter-conditional. Unless otherwise disclosed, the Proposals 1 are not conditional upon any corporate proposal undertaken or to be undertaken by the Company.

d. New Issue of Securities (Chapter 6 of Listing Requirements) : Combination of New Issue of Securities in Halex
(I) Proposed Rights Issue with Warrants
(II) Proposed Establishment and Implementation of an Employees' Share Scheme
(III) Proposed Increase in Authorised Share Capital; and
(IV) Proposed Amendment to the Memorandum of Association of Halex
(Collectively the "Proposals 2")

The Board had on 21 April 2015 announced that the Company proposes to undertake the following:

(i) A renounceable rights issue of new ordinary shares of RM0.50 each ("Rights Shares") together with free detachable warrants ("Warrants");

(ii) An establishment and implementation of an employees' share scheme of up to ten percent (10%) of the Company's total issued and paid-up share capital (excluding treasury shares) at any one time during the duration of the scheme for the eligible employees and executive directors of the Company and its non-dormant subsidiary companies ("Proposed ESS");

(iii) An increase in the authorised share capital of the Company from RM100,000,000 comprising 200,000,000 Shares to RM500,000,000 comprising 1,000,000,000 Halex Shares ("Proposed Increase in Authorised Share Capital"); and

(iv) An amendment to the Memorandum and Articles of Association of the Company ("Proposed Amendment").

The proposal to undertake a renounceable rights issue is to raise gross proceeds of up to RM40 million.

The entitlement basis for the Proposed Rights Issue with Warrants, the issue price for the Rights Shares and the exercise price for the free Warrants have not been fixed at this juncture to provide flexibility to the Board in respect of the pricing of the Rights Shares and Warrants as well as the number of Right Shares and Warrants to be issued.

The Proposals 2 are subject to the following approvals being obtained:

(i) the admission of the Warrants to the official list of Bursa Securities;

(ii) the listing of and quotation for the Rights Shares, Warrants and the new Shares to be issued arising from the exercise of the Warrants as well as the new Shares to be issued pursuant to the Proposed ESS on the Main Market of Bursa Securities;

(iii) the shareholders of the Company at an extraordinary general meeting of the Company to be convened for the Proposals;

(iv) Bursa Depository for the transfer of the Scheme Shares from the Trustee to the Scheme Participants pursuant to the Proposed ESS at any point in time during the duration of the Scheme, if required; and

(v) any other relevant authorities or parties, if required.

The Proposed Rights Issue with Warrants and Proposed ESS are not inter-conditional. The Proposed Increase in Authorised Share Capital and Proposed Amendment are conditional upon approval obtained on the Proposed Rights Issue with Warrants and/or Proposed ESS.

Save for the above, the Proposals 2 are not conditional upon any other corporate exercise being or proposed to be undertaken by the Company.

On 16 July 2015, the Board announced the Company proposes to change the Proposed Right Issue with Warrants to a renounceable two-call rights issue together with free warrants ("Proposed Two-Call Rights Issue with Warrants), after taking into consideration the prevailing market price of the share of the Company.

The Proposed Two-Call Rights Issue with Warrant is to raise gross proceeds of up to RM40 million at an issue price to be determined later, of which the proportion of the first call payable in cash on application by an entitled shareholder who wish to subscribe for the Rights Shares and the second call to be capitalised from the share premium and retained earnings of the Company. The entitlement basis for this proposal has not been fixed at this juncture.

(i) Proposed Acquisition 2;
(ii) Proposed Diversification;
(iii) Proposed Two-call Rights Issue with Warrants;
(vi) Proposed ESS;
(v) Proposed Increase in Authorised Capital; and
(vi) Proposed Amendment
(are now collectively known as, the "Proposals")

On 3 August 2015, the Board announced that the draft circular and listing application in respect of the Proposals have been submitted to Bursa Securities on 31 July 2015.

9. Borrowings

The Group's borrowings as at 30 June 2015 are as follows:

	Secured RM'000
Short-term borrowings	
Bills payable	4,796
Bank overdraft	1,783
Finance lease and hire purchase payable	57
Term loans	2,400
	9,036
Long-term borrowings	
Finance lease and hire purchase payable	132
Term loans	11,314
	11,446
Total	20,482

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.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/06/2015	Preceding Year Quarter 30/06/2014	Current Year to-Date 30/06/2015	Preceding Year to-Date 30/06/2014
Profit attributable to equity holders of the Company (RM'000)	575	927	1,867	1,756
Weighted average number of ordinary shares in issue ('000)	105,973	99,973	105,973	99,973
Basic earnings per share (sen)	0.54	0.93	1.76	1.76

(b) Diluted

The calculation of diluted earnings per ordinary share is the same with basic earnings per ordinary share as the Group has no dilutive potential ordinary shares.

By Order of the Board,

Lim Hooi Mooi
Company Secretary
Kuala Lumpur
26 August 2015