



Interim Report for the 12-months Financial Period Ended 30 September 2015

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
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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.



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9. Segmental Reporting

	12-months ended 30 September 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	-	55,194	38,898	11,549	-	105,642
Inter-segment sales	-	11,967	71	15	(12,053)	-
Dividend income	15,000				(15,000)	
Total	15,000	67,161	38,969	11,564	(27,053)	105,642

Results

Segment results	13,879	5,352	1,346	(249)	(16,000)	4,328
Finance costs	(752)	(142)	(163)	(58)	-	(1,115)
Finance income	1	89	7	4	-	101
Profit/(Loss) before taxation	13,128	5,299	1,190	(301)	(16,000)	3,314
Taxation						(1,248)
Profit after taxation						2,066

Geographical Segments for Revenue

	Current Year Quarter 30/09/2015 RM'000	Preceding Year Quarter 30/09/2014 RM'000
Local	18,093	19,415
Export	4,791	3,772
Total	22,885	23,187

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**.



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- 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.
- c. On 6 October 2015, Halex Holdings Berhad acquired two (2) shelf companies namely Nusa Suara Sdn Bhd and Ruby Avenue Sdn Bhd. Nusa Suara and Ruby Avenue are companies incorporated on 12 August 2015 with an authorised share capital of RM400,000.00 divided into 400,000 ordinary shares of RM1.00 each and an issued paid-up capital of RM2.00. Nusa Suara and Ruby Avenue are currently dormant.

12. Contingent Liabilities

The contingent liabilities are as follows:

	Company	
	As At 30/09/2015 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

There are no capital commitments as at 30 September 2015.

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 Note **B.8.** below.

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

	Group	
	As At 30/09/2015 RM’000	As At 30/09/2014 RM’000
Retained earnings of the Company and its subsidiaries:		
- Realised profit	33,603	31,647
- Unrealised losses	(386)	(458)
	33,217	31,189
Consolidation adjustments	196	158
Total retained profits	33,413	31,347



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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

	Current year Quarter ended 30/09/2015 (RM'000)	Preceding year Quarter ended 30/09/2014 (RM'000)
Revenue	22,885	23,187
Gross profits	5,120	5,061
Profit before tax	412	536

For the quarter ended 30 September 2015, the Group registered revenue of approximately RM22.9 million, representing a decrease of RM0.3 million or 1.3% compared to the preceding year quarter. Profit before tax ("PBT") declined from RM0.5 million to RM0.4 million in-line with the drop in revenue.

The drop in revenue was mainly due to lower sales from agrochemical products by RM0.2 million and horticulture products by RM0.1 million. However this was partly offset by an increase in sales of healthcare disposable products.

Despite the decrease in sales, the Group recorded a marginal increase in gross profits by 1.2% compared to the preceding year quarter. Healthcare disposable product recorded an improved margin while agrochemicals margins recorded a marginal decline to reduce the advantage.

Profit before tax registered a drop by RM0.1 million compared to the preceding year quarter mainly due to higher operational costs incurred on the corporate exercise.

2. Comparisons with the Immediate Preceding Quarter's Results

	Current Quarter ended 30/09/2015 (RM'000)	Preceding Quarter ended 30/06/2015 (RM'000)
Revenue	22,885	23,491
Profit before tax	412	824

For the current quarter under review, the Group registered revenue of approximately RM22.9 million compared to the immediately preceding quarter of 23.5 million, or a decrease of 2.58%. This was mainly caused by lower sales of healthcare disposable products in the current quarter as a result of stocking-up by the dealers prior to the changeover of distribution channel to DKSH during the quarter.

Profit before tax dropped from RM0.8 million to RM0.4 million due mainly to the decrease in sales of horticulture products and decrease in margins from agrochemical products as well as higher operational costs incurred on the current corporate exercise.



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3. Year 2015 Prospects

For the last quarter of 2015, the economic landscape will continue to be extremely challenging. The consumer confidence index, carried out by Nielsen, is at a 10-year low of 78 percentage points. Consumer confidence and spending has been hampered by the declining value of the ringgit, a slower economic growth, and concerns on the country's political stability. As a result, although market penetration for the disposable healthcare products has improved through the appointment of DKSH, product offtake remains weak.

The year-end monsoon season is expected to similarly dampen sales of agrichemical products and fertilizers. As such, the Group views the last quarter's outlook with caution and expect the operating environment to remain challenging.

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 30/09/2015 RM'000	Preceding Year Quarter 30/09/2014 RM'000	Current Year to-Date 30/09/2015 RM'000	Preceding Year to-Date 30/09/2014 RM'000
Income tax expense	214	176	1,248	962

The effective tax rate of the Group for the current quarter under review is higher than the statutory tax rate of 25% due to one of the subsidiary 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.



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

8. Status of Corporate Proposal

- a. (i) **Proposed acquisition by Halex Realty Sdn Bhd of the remaining 75% equity interest in Kensington Development Sdn Bhd comprising 3,750,000 ordinary shares of RM1.00 each from Bestempire Limited via cash consideration of RM21,000,000**
- (ii) **Proposed diversification of the existing core business of Halex Holdings Berhad (“Halex”) and its subsidiaries to include property development**
- (iii) **Proposed renounceable two-call rights issue of new Halex Shares together with free detachable Warrants to the Entitled Shareholders to raise gross proceeds of up to RM40 million**
- (iv) **Proposed establishment and implementation of the Employee Share Scheme (“ESS”) 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 ESS for the Eligible Persons in Halex and its non-dormant subsidiary companies**
- (v) **Proposed increase in the authorised share capital of Halex from RM100,000,000 comprising 200,000,000 Shares to RM500,000,000 comprising 1,000,000,000 Shares**
- (vi) **Proposed amendment to the Memorandum and Articles of Association of Halex (Collectively the “Proposals”)**

The Board of Directors of the Company had on 3 November 2015 announced that Bursa Malaysia Securities Berhad (“Bursa”) had, vide its letter dated 2 November 2015, approved the Company’s application for an extension of time from 24 September 2015 to 14 December 2015 to issue the Circular in relation to the Proposals.



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The details of the Proposals can be referred to in the announcements made to Bursa on 20 March 2015, 21 April 2015, 16 July 2015, 3 August 2015 and 3 September 2015 respectively.

- b. Proposed acquisition by Halex Holdings Berhad (“Halex” or the “Company”) of 140,000 ordinary shares of RM1.00 each representing 70% equity interest in the issued and paid-up share capital of SL Aktif Sdn Bhd for a cash consideration of RM100,000.00 (the “Proposed Acquisition”)**

The Company had on 11 November 2015 announced that its trading division intends to expand into the business of trading and distribution of rice via the acquisition of SL Aktif Sdn Bhd (“SLASB”).

SLASB had on 17 August 2015 received a Letter of Offer from Koperasi Majlis Belia Felda Malaysia Berhad to procure and package rice under the food bank project launched by the Government of Malaysia known as Project Gedung Makanan Negara. SLASB will commence its rice supply operation upon the completion of the Proposed Acquisition and the execution of the Collaboration Agreement.

Pursuant thereto, the Company had on 11 November 2015 entered into a conditional Share Sale Agreement (“SSA”) with Datin Aimi Syazwani Binti Shahnon and Dato’ Laili Bin Mohamad for the acquisition of 140,000 ordinary shares of RM1.00 each, free from all encumbrances together with all rights, entitlement and benefits attaching thereto, representing 70% equity interest in the issued and paid-up share capital of SLASB for a cash consideration of RM100,000.00.

Upon completion of the Proposed Acquisition, SLASB will become a 70% owned subsidiary of the Company.

9. Borrowings

The Group’s borrowings as at 30 September 2015 are as follows:

	Secured RM’000
Short-term borrowings	
Bills payable	7,478
Bank overdraft	201
Finance lease and hire purchase payable	43
Term loans	<u>2,267</u>
	<u>9,989</u>
Long-term borrowings	
Finance lease and hire purchase payable	132
Term loans	<u>10,777</u>
	<u>10,909</u>
Total	<u><u>20,898</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.



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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 30/09/2015	Preceding Year Quarter 30/09/2014	Current Year to-Date 30/09/2015	Preceding Year to-Date 30/09/2014
Profit attributable to equity holders of the Company (RM'000)	198	360	2,066	2,119
Weighted average number of ordinary shares in issue ('000)	105,973	101,043	105,973	100,263
Basic (loss) /earnings per share (sen)	0.19	0.36	1.95	2.11

(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
30 November 2015