



HALEX GROUP

HALEX HOLDINGS BERHAD

(Company No. 206220-U)

(Incorporated in Malaysia under the Companies Act, 1965)

**Interim Report
For the 15-months Financial Period Ended
31 December 2015**

**HALEX HOLDINGS BERHAD** (206220-U)

(Incorporated in Malaysia under the Companies Act, 1965)

HALEX GROUP

Interim Report for the 15-months Financial Period Ended 31 December 2015**Unaudited Condensed Consolidated Statement of Comprehensive Income**

	<u>INDIVIDUAL QUARTER (3 mths) Current Year Quarter 31/12/2015 RM'000</u>	<u>CUMULATIVE QUARTER (15 mths) Current Year to-Date 31/12/2015 RM'000</u>
Revenue	20,203	125,845
Less: Cost of sales	(17,984)	(99,804)
Gross profit	<u>2,219</u>	<u>26,041</u>
Other income	364	1,076
Fair value loss on Biological Assets	(78)	(78)
Administration and other expenses	(3,759)	(14,970)
Selling and marketing expenses	(1,581)	(10,332)
Finance costs	(436)	(1,630)
Share of results of associate	(32)	(96)
(Loss)/ Profit before taxation	<u>(3,303)</u>	<u>11</u>
Less: Taxation	144	(1,104)
Loss after taxation	<u><u>(3,159)</u></u>	<u><u>(1,093)</u></u>
Other comprehensive income		
Foreign currency translation	5	77
Net surplus arising from revaluation of properties	13,084	13,084
Other comprehensive income for the period	<u>13,089</u>	<u>13,161</u>
Total comprehensive income for the period	<u><u>9,930</u></u>	<u><u>12,068</u></u>
Loss attributable to :		
Equity holders of the Company	<u><u>(3,159)</u></u>	<u><u>(1,093)</u></u>
Total comprehensive income attributable to :		
Equity holders of the Company	<u><u>9,930</u></u>	<u><u>12,068</u></u>
Loss per share attributable to equity holders of the Company:		
Basic (sen)	(2.98)	(1.03)
Diluted (sen)	n/a	n/a

The Company changed its financial year end from 30 September to 31 December and therefore the current financial period will be for 15 months ended 31 December 2015. As such there is no comparative figures for the current quarter for the three months ended 31 December 2015 and year to date for the 15 months ended 31 December 2015. We however attach the restated consolidated statement of comprehensive income for the financial year ended 30 September 2014 for reference.

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 30 September 2014 and the accompanying notes attached to this interim financial report.



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

HALEX GROUP

Interim Report for the 15-months Financial Period Ended 31 December 2015

Unaudited Condensed Consolidated Statement of Financial Position

	Unaudited As At 31/12/2015 RM'000	Restated Audited As At 30/09/2014 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	61,115	47,931
Investment in associate	21,904	-
Investment properties	5,214	290
Investment in quoted shares	203	178
Other investments	26	26
Intangible assets	123	120
Biological assets	28,530	28,608
Development costs	465	566
Total non-current assets	117,580	77,719
Current assets		
Inventories	27,662	20,581
Trade receivables	11,965	13,082
Other receivables and deposits	6,125	12,590
Deposits with licensed banks	1,715	1,991
Tax recoverable	209	169
Cash and bank balances	1,990	25,592
Total current assets	49,666	74,005
TOTAL ASSETS	167,246	151,724
EQUITY AND LIABILITIES		
Capital and reserves		
Financed by:		
Share capital	53,000	53,000
Share premium	1,988	1,988
Treasury shares	(18)	(18)
Revaluation reserves	21,920	8,836
Exchange reserves	106	29
Retained profits	50,508	51,601
Shareholders' equity	127,504	115,436
Non-current liabilities		
Finance lease and hire purchase payables	105	180
Term loans	9,757	12,994
Deferred taxation	8,605	7,396
Total non-current liabilities	18,467	20,570

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 September 2014 and the accompanying notes attached to this interim financial report.



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

	Unaudited As At 31/12/2015 RM'000	Restated Audited As At 30/09/2014 RM'000
Current Liabilities		
Trade payables	8,349	4,157
Other payables and accruals	2,828	3,723
Finance lease and hire purchase payables	57	52
Bills payable	3,836	4,116
Term loans	2,760	3,135
Tax payable	141	59
Bank overdraft	3,304	476
Total current liabilities	<u>21,275</u>	<u>15,718</u>
Total liabilities	<u>39,742</u>	<u>36,288</u>
TOTAL EQUITY AND LIABILITIES	<u>167,246</u>	<u>151,724</u>
No. of ordinary shares in issue ('000)	105,973	105,973
Par value (RM)	0.50	0.50
Net assets per share attributable to equity holders of the Company (RM)	1.20	1.09

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 September 2014 and the accompanying notes attached to this interim financial report.



HALEX GROUP

Interim Report for the 15-months Financial Period Ended 31 December 2015
Unaudited Condensed Consolidated Cash Flow Statement

**Financial
Year
ended
31/12/2015
RM'000**

CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation	11
Adjustments for :	
Write back for diminution in value of investment in quoted shares	49
Allowance for impairment written back on receivables	(41)
Allowance for impairment on receivables	272
Amortisation	126
Bad debts write off	15
Depreciation	2,771
Interest expenses	1,630
Interests income	(128)
Gain in fair value adjustment on quoted shares	(74)
Property, plant and equipment written off	12
Share of results of associated company	96
Operating profit before working capital changes	4,739
Biological assets	78
Inventories	(7,081)
Receivables	7,337
Payables	3,296
Cash generated from operations	8,369
Tax refund	165
Tax paid	(1,452)
Net cash from operating activities	7,082

CASH FLOW FOR INVESTING ACTIVITIES

Interest received	128
Investment in intangible assets	(3)
Balance purchase consideration paid for acquisition of 25% equity interest in an associated company (Note 8.a)	(22,000)
Purchase of investment properties	(4,904)
Placement of deposits with licensed banks	(54)
Purchase of property, plant and equipment	(1,495)
Net cash used in investing activities	(28,328)

The Company changed its financial year end from 30 September to 31 December and therefore the current financial period will be for 15 months ended 31 December 2015. As such there is no comparative figures for the current quarter for the three months ended 31 December 2015 and year to date for the 15 months ended 31 December 2015.

The unaudited condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 30 September 2014 and the accompanying notes attached to this interim financial report.



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HALEX HOLDINGS BERHAD (206220-U)

(Incorporated in Malaysia under the Companies Act, 1965)

Interim Report for the 15-months Financial Period Ended 31 December 2015

Unaudited Condensed Consolidated Cash Flow Statement (cont'd)

	Financial ended 31/12/2015 RM'000
CASH FLOW FOR FINANCING ACTIVITIES	
Interest paid	(1,630)
Repayment of bank borrowings	(3,891)
Repayment of finance lease and hire purchase payables	(71)
Net cash used in financing activities	<u>(5,592)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(26,838)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	77
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	25,447
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>(1,314)</u></u>
CASH AND CASH EQUIVALENTS COMPRISE	
Deposit with licensed bank	1,715
Cash and bank balances	1,990
Bank overdraft	(3,304)
	<u>401</u>
Less: Deposits pledged to licensed bank	<u>(1,715)</u>
	<u><u>(1,314)</u></u>

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The unaudited condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 30 September 2014 and the accompanying notes attached to this interim financial report.



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HALEX GROUP

Interim Report for the 15-months Financial Period Ended 31 December 2015

Unaudited Condensed Consolidated Statement of Changes in Equity

	Share Capital RM'000	Share Revaluation Reserves RM'000	Non-distributable Share Premium RM'000	Exchange Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000
As at 01/10/2013 (Restated)	50,000	8,836	-	30	30,854	(17)	89,703
Issue of new shares	3,000	-	2,100	-	-	-	5,100
Share issuance expenses	-	-	(112)	-	-	-	(112)
Allowance for diminution in value of treasury shares written back	-	-	-	-	-	(1)	(1)
Profit for the year	-	-	-	-	2,172	-	2,172
Other comprehensive income for the year	-	-	-	(1)	-	-	(1)
- Foreign currency translation	-	-	-	(1)	-	-	(1)
As previously stated	-	-	-	(1)	2,172	-	2,171
Prior years adjustments - Depreciation	-	-	-	-	(546)	-	(546)
Prior years adjustments - Biological Assets	-	-	-	-	21,620	-	21,620
Dividends	-	-	-	-	(2,499)	-	(2,499)
As at 30/9/2014 (Restated)	53,000	8,836	1,988	29	51,601	(18)	115,436
As at 01/10/2014 (Restated)	53,000	8,836	1,988	29	51,601	(18)	115,436
Loss for the period	-	-	-	-	(1,093)	-	(1,093)
Other comprehensive income for the period	-	-	-	77	-	-	77
- Foreign currency translation	-	-	-	77	-	-	77
- Net surplus arising from revaluation of properties	-	13,084	-	-	-	-	13,084
Total comprehensive income for the period	-	-	-	77	(1,093)	-	12,068
As at 30/9/2015	53,000	21,920	1,988	106	50,508	(18)	127,504

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 30 September 2014 and the accompanying notes attached to this interim financial report.



Interim Report for the 15-months Financial Period Ended 31 December 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

- a. 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)
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Interim Report for the 15-months Financial Period Ended 31 December 2015

The adoption of the above MFRS's, amendments and interpretations does not have any significant impact on the interim financial information of the Group.

b. MFRS 141 Agriculture

During the financial year, the Group has adopted MFRS 141 *Agriculture* in consistent with the Group's adoption of the MFRS Framework in the financial year ended 31 December 2013.

One of the subsidiary of the Group is engaged in the horticulture & agro-biotechnologies business. It cultivates both bearer plants (growing bearer plants and harvesting fronds for sales) and consumable bearer plants (trees harvested wholesale for sales as decorative trees). In the prior years, both biological plants were accounted for as inventories. For the current year ended 31 December 2015, the management has decided to adopt MFRS 141 *Agriculture* to be consistent with the Group's adoption of the MFRS Framework in the financial year ended 31 December 2013.

On adoption of this Framework means that all of the MFRSs shall be applied by the Group for the year ended 31 December 2013, including MFRS 141 *Agriculture*. The accounting of the biological assets (both bearer plants and consumable plants) was as inventories in the prior years 2013 and 2014.

In order to comply with the adoption of MFRS 141 *Agriculture*, the Group has used MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to correct material prior period errors retrospectively by:

- (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented [MFRS 108.42].

Since it is impracticable to measure reliably the fair values of the biological plants for prior year 2013, the Group has corrected the error retrospectively in year 2014 in accordance with paragraph 42 of MFRS 108. This requires a retrospective restatement of the statements of financial position for prior year 2014 and restatement of the statement of comprehensive income for the year ended 31 December 2014, with the effects of the correction adjusted to opening retained profits in the statement of changes in equity for financial year 2015.

Note that any prior period adjustments to the opening retained profits shall net of the related deferred tax effect. Fair value gains of biological assets give rise to taxable temporary differences for which the related deferred tax liabilities, measured at the current income tax, is recognised or provided for.

On adoption of this MFRS, a prior year adjustment was made as follows:-

	RM'000
Biological Assets	28,608
Deferred Taxation liabilities	<u>(6,988)</u>
Reserves	<u>21,620</u>



Interim Report for the 15-months Financial Period Ended 31 December 2015

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 agriculture supplies & trading and horticulture & agro-biotechnologies 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.



Interim Report for the 15-months Financial Period Ended 31 December 2015

9. Segmental Reporting

	15-months ended 31 December 2015					Consolidated RM'000
	Investment holding RM'000	Agriculture Supplies & Trading RM'000	Consumer Products RM'000	Horticulture & Agro- biotechnologies RM'000	Eliminations RM'000	
Revenue						
External sales	-	66,343	47,016	12,486	-	125,845
Inter-segment sales	-	13,700	-	-	(13,700)	-
Dividend income	15,000	-	-	-	(15,000)	-
Total	15,000	80,043	47,016	12,486	(28,700)	125,845

Results

Segment results	13,553	4,838	1,454	(2,319)	(16,013)	1,513
Finance costs	(1,097)	(237)	(238)	(58)	-	(1,630)
Finance income	2	101	19	6	-	128
Profit/(Loss) before taxation	12,458	4,702	1,235	(2,371)	(16,013)	11 (1,104)
Taxation						
Loss after taxation						(1,093)

Geographical Segments for Revenue

	Current Year Quarter 31/12/2015 RM'000	Preceding Year Quarter 31/12/2014 RM'000
Local	4,700	22,831
Export	15,503	5,192
Total	20,203	28,023

During the current quarter under review, the management has changed the classification of the Group's business segments to better reflect the current direction of the Group's businesses.

10. Valuation of Property, Plant and Equipment

In line with the Group's accounting policy to revalue all the properties every three to five years, in December 2015, the Group has carried out a revaluation on all the properties of the Group. In consequence thereof, the net revaluation surplus of RM13.084 million and deferred tax liabilities of RM1.433 million was recorded during the quarter.



Interim Report for the 15-months Financial Period Ended 31 December 2015

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.
- c. On 6 October 2015, Halex Holdings Berhad acquired two (2) shelf companies namely Nusa Suasa Sdn Bhd and Ruby Avenue Sdn Bhd. Nusa Suasa 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 Suasa and Ruby Avenue are currently dormant.

12. Contingent Liabilities

The contingent liabilities are as follows:

	Company	
	As At 31/12/2015 RM'000	As At 30/09/2014 RM'000
Guarantees given to financial institutions for facilities granted to subsidiaries	<u>48,263</u>	<u>44,873</u>

13. Capital Commitments

There are no capital commitments as at 31 December 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.



Interim Report for the 15-months Financial Period Ended 31 December 2015

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

	Group	
	As At 31/12/2015 RM'000	As At 30/09/2014 RM'000
Retained earnings of the Company and its subsidiaries:		
- Realised profit	57,523	51,901
- Unrealised profit	(28,807)	(22,079)
	28,716	29,822
Consolidation adjustments	158	158
Total retained profit	28,874	29,980



Interim Report for the 15-months Financial Period Ended 31 December 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 31/12/2015 (RM'000)	Preceding year Quarter ended 31/12/2014 (RM'000)
Revenue	20,203	28,023
Gross profits	2,219	6,144
(Loss)/profit before tax	(3,303)	897

The Company changed its financial year end from 30 September to 31 December and therefore the current financial period will be for 15 months ended 31 December 2015. As such there is no comparative figures for the current quarter for the three months ended 31 December 2015 and year to date for the 15 months ended 31 December 2015. However, for purpose of reference the Company provide hereunder the comparative for the period 31 October 2015 to 31 December 2015 compared against 31 October 2014 to 31 December 2014.

For the quarter ended 31 December 2015, the Group registered revenue of RM20.2 million, representing a decrease of RM7.8 million or 27.9% as compared to the preceding year quarter.

The decrease in revenue was mainly due to lower sales from agriculture supplies & trading and horticulture & agro-biotechnologies businesses. However this was partly offset by an increase in sales of consumer products.

During the current quarter, the Group has recorded a loss before tax of RM3.3 million against a profit before tax of RM0.9 million in the preceding year quarter.

The loss before taxation during the year was mainly due to additional depreciation from properties of RM0.7 million and the effect of adoption of MFRS 141 Agriculture of RM1.7 million (refer to **Note A.2b.**). Other than that, higher operational costs incurred on the corporate exercise and foreign exchange loss also contributed to the loss before tax.

2. Comparisons with the Immediate Preceding Quarter's Results

	(3 mths) Current Quarter ended 31/12/2015 (RM'000)	(3 mths) Preceding Quarter ended 30/09/2015 (RM'000)
Revenue	20,203	22,885
(Loss)/profit before tax	(3,303)	412

For the quarter ended 31 December 2015, the Group registered revenue of RM20.2 million, representing a decrease of RM2.7 million or 11.7% as compared to the preceding quarter.

The decrease in revenue was mainly due to lower sales from agriculture supplies & trading and consumer products. However, the horticulture & agro-biotechnologies business was recorded at a marginal increase.

During the current quarter, the Group has recorded a loss before tax of RM3.3 million and in the preceding quarter, the Group recorded a RM0.4 million profit before tax.



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The loss before taxation during current quarter was mainly due to higher operational costs incurred by the subsidiaries such as foreign exchange loss. In addition, as a result of adoption of MFRS 141 Agriculture, and additional depreciation registered during the period, the Group's expenses were increased by RM2.4 million. However, the said expenses of RM2.4 million have no impact on the Group's cashflow position.

3. Year 2016 Prospects

The economic landscape for 2016 will be challenging with many factors impacting consumer and business confidence such as high foreign exchange rates, slower economic growth, and uncertainty over the direction of crude oil prices; all which will affect the Malaysian economy. The Government has revised its Budget 2016 to stimulate consumer spending and generate additional revenue. An upwards revision on the foreign worker levy will result in an increase in labour cost which will impact production costs.

Despite these challenges, the Group is targeting growth by focusing on gaining market share in its major business segments which are agriculture supplies and trading, and consumer products.

In the agriculture supplies and trading business, the Group aims to increase its presence and customer base into sectors such as plantations and high value crops (such as fruits and vegetables farms) which was not fully covered previously, through implementing a Total Crop Solutions approach. The plantation sector represents an interesting opportunity as the Group plans to aggressively participate in tenders for supply of crop nutrition and plant protection products to large plantation groups. The Government is encouraging domestic food production through various programs to support the growing population in the country and to reduce dependency on food importation, which will bode well for this division.

Halex is also adopting ICM/IPM approaches for sustainable crop production and increasing product development initiatives, and plans to introduce new product lines for crop nutrition and plant protection in the financial year. However, the more stringent legislation and regulation on pesticide products by the Government makes it challenging to launch/bring new products quickly into the Malaysian market. To complement our domestic initiatives, we will increase participation into developing international business markets such as ASEAN, India, and Pakistan.

Halex has announced its expansion into the distribution of rice in late November 2015 after signing a Supply Contract for Rice Under Food Bank Project with Koperasi Majlis Belia FELDA Malaysia Berhad (KMBFM). This trading business is expected to contribute positively to the Group in 2016.

Domestic sales growth for the consumer products division is expected to come from an increase in outlets penetration and SKU penetration by our local distributor, DKSH, while export sales to new international markets such as Singapore and Vietnam is expected to commence in 2016. Besides South East Asian countries, our Tender Soft brand of paper, wet wipes and cotton products are currently available in Kenya. The Group plans to penetrate into other countries in the African continent and the Middle-East with similar GDP growth index with its existing brands and with new brand and product development initiatives that will appeal to these market segments.

The Horticulture and Agro-biotechnologies division is expected to sustain its sales of crop tissue culture and fronds cuttings business. Research and development activities (such as precision farming) and new business development into existing and new markets will continue to be the focus of this division in 2016.

The Group is prepared to embrace the challenges ahead and aims to improve on its overall performance in 2016 but remain cautious in view of the uncertain market outlook.



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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 Current Year Quarter 31/12/2015 RM/000	Cumulative Quarter Current Year to-Date 31/12/2015 RM'000
Taxation	144	(1,104)

The effective tax rate of the Group for the current quarter under review is higher than the statutory tax rate of 25% due to certain subsidiaries incurred losses during the financial year-to-date, underprovision of income tax in the prior years and reversal of deferred taxation.

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 31/12/2015 RM'000	As At 30/09/2014 RM'000
As at beginning of period/year	178	129
Gain in fair value adjustment	25	49
As at end of the period/year	203	178
At market value	203	178



Interim Report for the 15-months Financial Period Ended 31 December 2015

8. Status of Corporate Proposal

- a. **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 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, 3 September 2015 and 14 December 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.



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9. Borrowings

The Group's borrowings as at 31 December 2015 are as follows:

	Secured RM'000
Short-term borrowings	
Bills payable	3,836
Bank overdraft	3,304
Finance lease and hire purchase payable	57
Term loans	<u>2,760</u>
	<u>9,957</u>
Long-term borrowings	
Finance lease and hire purchase payable	105
Term loans	<u>9,757</u>
	<u>9,862</u>
Total	<u>19,819</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.

	Individual Quarter Current Year Quarter 31/12/2015	Cumulative Quarter Current Year to-Date 31/12/2015
Loss attributable to equity holders of the Company (RM'000)	(3,159)	(1,093)
Weighted average number of ordinary shares in issue ('000)	105,973	105,973
Basic loss per share (sen)	<u>(2.98)</u>	<u>(1.03)</u>

(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.



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12. Notes To The Statements Of Comprehensive Income

The following items have been included in arriving at profit before tax:-

	Individual Quarter Current Year Quarter 31.12.2015 (RM'000)	Cumulative Quarter Current- Year-To Date 31.12.2015 (RM'000)
Interest income	27	128
Other income including investment income	337	948
Interest expense	436	1,630
Depreciation and amortisation	1,444	2,897
Provision for and write off of receivables	231	246
Provision for and write off of inventories	-	-
Loss on disposal of quoted or unquoted investments or properties	-	-
Impairment of assets	-	-
Provision for diminution in value of investments	-	(49)
Foreign exchange loss	(677)	(1,206)
Gain or loss on derivatives	-	-
Exceptional items	-	-
Gain on disposal of investment	-	-

By Order of the Board,

Lim Hoi Mooi
Company Secretary
Kuala Lumpur
29 February 2016