



HALEX GROUP

# **HALEX HOLDINGS BERHAD**

(Company No. 206220-U)

(Incorporated in Malaysia under the Companies Act, 1965)

**Interim Report  
For the 9-months Financial Period Ended  
30 September 2016**



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

Interim Report for the 9-months Financial Period Ended 30 September 2016

Unaudited Condensed Consolidated Statement of Comprehensive Income

	INDIVIDUAL QUARTER (3 mths) Current Year Quarter 30/09/2016 RM'000	CUMULATIVE QUARTER (9 mths) Current Year to-Date 30/09/2016 RM'000
Revenue	21,029	56,899
Less: Cost of sales	(15,167)	(43,187)
<b>Gross profit</b>	<b>5,862</b>	<b>13,712</b>
Other income	432	511
Fair value gain/(loss) on biological assets	(348)	256
Fair value gain on agriculture produce harvested	454	1,639
Administration and other expenses	(3,621)	(10,483)
Selling and marketing expenses	(1,959)	(5,406)
Finance costs	(405)	(1,147)
Share of results of associate	(30)	(77)
<b>Profit/(Loss) before taxation</b>	<b>385</b>	<b>(995)</b>
Less: Taxation	(97)	200
<b>Profit/(Loss) after taxation</b>	<b>287</b>	<b>(796)</b>
<b>Other comprehensive loss</b>		
Foreign currency translation	(8)	-
Net surplus arising from revaluation of properties	-	-
Other comprehensive loss for the period	(8)	-
<b>Total comprehensive income/(loss) for the period</b>	<b>279</b>	<b>(796)</b>
<b>Profit/(Loss) attributable to :</b>		
Equity holders of the Company	<b>287</b>	<b>(796)</b>
<b>Total comprehensive income/(loss) attributable to :</b>		
Equity holders of the Company	<b>279</b>	<b>(796)</b>
<b>Profit/(Loss) per share attributable to equity holders of the Company:</b>		
Basic (sen)	0.27	(0.75)
Diluted (sen)	n/a	n/a

The Company changed its financial year end from 30 September to 31 December in 2015. The last set of audited financial statements were for 15 months ended 31 December 2015. As such there is no comparative figures for the current quarter for the nine months ended 30 September 2016 and year-to-date for the period ended 30 September 2016.

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial period ended 31 December 2015 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 9-months Financial Period Ended 30 September 2016

Unaudited Condensed Consolidated Statement of Financial Position

	Unaudited As At 30/09/2016 RM'000	Restated Audited As At 31/12/2015 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	62,128	62,051
Investment in associate	21,816	21,894
Investment properties	5,054	5,054
Investment in quoted shares	401	203
Other investments	26	26
Intangible assets	123	123
Biological assets	2,750	2,494
Development costs	405	465
<b>Total non-current assets</b>	<b>92,703</b>	<b>92,310</b>
<b>Current assets</b>		
Inventories	21,637	25,787
Trade receivables	16,848	11,965
Other receivables, deposits and prepayments	6,768	6,295
Deposits with licensed bank	1,771	1,715
Tax assets	1,258	666
Cash and bank balances	1,789	1,989
<b>Total current assets</b>	<b>50,071</b>	<b>48,417</b>
<b>TOTAL ASSETS</b>	<b>142,774</b>	<b>140,727</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Financed by:		
Share capital	53,000	53,000
Share premium	1,988	1,988
Treasury shares	(18)	(18)
Revaluation reserves	20,246	20,246
Exchange reserves	114	116
Retained profits	29,660	30,456
<b>Shareholders' equity</b>	<b>104,990</b>	<b>105,788</b>
<b>Non-current liabilities</b>		
Finance lease and hire purchase payables	111	105
Term loan	12,227	10,374
Deferred taxation	3,484	3,773
<b>Total non-current liabilities</b>	<b>15,821</b>	<b>14,252</b>

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial period ended 31 December 2015 and the accompanying notes attached to this interim financial report.



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**Interim Report for the 9-months Financial Period Ended 30 September 2016**

**Unaudited Condensed Consolidated Statement of Financial Position**

	<b>Unaudited As At 30/09/2016 RM'000</b>	<b>Restated Audited As At 31/12/2015 RM'000</b>
<b>Current Liabilities</b>		
Trade payables	11,318	8,349
Other payables and accruals	2,057	2,858
Finance lease and hire purchase payables	7	56
Bills payable	3,069	3,836
Term loan	2,407	2,143
Tax payable	66	141
Bank overdraft	3,039	3,304
<b>Total current liabilities</b>	<b>21,963</b>	<b>20,687</b>
<b>Total liabilities</b>	<b>37,784</b>	<b>34,939</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>142,774</b>	<b>140,727</b>
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)	0.99	1.00

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial period ended 31 December 2015 and the accompanying notes attached to this interim financial report.



**HALEX HOLDINGS BERHAD** (206220-U)  
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**Interim Report for the 9-months Financial Period Ended 30 September 2016**

**Unaudited Condensed Consolidated Cash Flow Statement**

	<b>9-months ended 30/09/2016 RM'000</b>
<b>CASH FLOW USED IN OPERATING ACTIVITIES</b>	
Profit/(Loss) before taxation	(995)
Adjustments for :	
Allowance for impairment on receivables	52
Unrealised gain in value of investment in quoted shares	(198)
Amortisation of development cost	61
Amortisation of property, plant & equipment	-
Depreciation	1,802
Dividend income	(1)
Fair value gain on biological assets	(256)
Interest expenses	1,147
Interest income	(73)
Loss on foreign exchange - unrealised	70
Gain on disposal of property, plant & equipment	(50)
Plant & equipment written off	-
Share of results of associated company	77
Operating profit before working capital changes	<u>1,635</u>
Inventories	4,151
Receivables	(5,410)
Payables	<u>2,211</u>
Cash used in operations	2,586
Interest paid	(1,147)
Tax paid	(870)
<b>Net cash used in operating activities</b>	<u><u>569</u></u>
<b>CASH FLOW USED IN INVESTING ACTIVITIES</b>	
Dividend received	1
Interest received	18
Purchase of plant and equipment	(4,229)
Proceeds from disposal of property, plant & equipment	<u>2,400</u>
<b>Net cash used in investing activities</b>	<u><u>(1,810)</u></u>

The unaudited condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial period ended 31 December 2015 and the accompanying notes attached to this interim financial report.



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**Interim Report for the 9-months Financial Period Ended 30 September 2016**

**Unaudited Condensed Consolidated Cash Flow Statement (cont'd)**

	<b>9-months ended 30/09/2016 RM'000</b>
<b>CASH FLOW GENERATED FROM FINANCING ACTIVITIES</b>	
Drawdown of of bill payables, net of repayment	(767)
Drawdown of fixed loan	3,400
Repayment of term loans	(1,284)
Repayment of finance lease and hire purchase payables	(44)
<b>Net cash generated from financing activities</b>	<u>1,305</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	65
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES*</b>	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	(1,315)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>(1,250)</u>
<b>CASH AND CASH EQUIVALENTS COMPRISE</b>	
Deposit with licensed bank	1,771
Cash and bank balances	1,789
Bank overdraft	(3,039)
	<u>521</u>
Less: Deposits pledged to licensed bank	<u>(1,771)</u>
	<u>(1,250)</u>
* Less than RM1,000	

The unaudited condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial period ended 31 December 2015 and the accompanying notes attached to this interim financial report.



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**Interim Report for the 9-months Financial Period Ended 30 September 2016**  
**Unaudited Condensed Consolidated Statement of Changes in Equity**

	Non-distributable				Distributable			Total RM'000
	Share Capital RM'000	Revaluation Reserves RM'000	Share Premium RM'000	Exchange Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000		
As at 01/10/2014 (Restated)	53,000	7,667	1,988	29	50,757	(18)	113,423	
Loss for the period	-	-	-	-	(1,058)	-	(1,058)	
Other comprehensive income for the year	-	-	-	87	-	-	87	
- Foreign currency translation	-	-	-	-	-	-	-	
- Revaluation of property, plant and equipment	-	12,579	-	-	-	-	12,579	
<b>As at 31/12/2015</b>	<b>53,000</b>	<b>20,246</b>	<b>1,988</b>	<b>116</b>	<b>49,699</b>	<b>(18)</b>	<b>125,031</b>	
As at 1/1/2016	53,000	20,246	1,988	116	49,699	(18)	125,031	
Prior year adjustment	-	-	-	-	(19,243)	-	(19,243)	
<b>As at 1/1/2016 (Restated)</b>	<b>53,000</b>	<b>20,246</b>	<b>1,988</b>	<b>116</b>	<b>30,456</b>	<b>(18)</b>	<b>105,788</b>	
Loss for the period	-	-	-	-	(796)	-	(796)	
Other comprehensive loss for the period	-	-	-	-	-	-	-	
- Revaluation of property, plant & equipment	-	-	-	(2)	-	-	(2)	
- Foreign currency translation	-	-	-	-	-	-	-	
<b>As at 30/9/2016</b>	<b>53,000</b>	<b>20,246</b>	<b>1,988</b>	<b>114</b>	<b>29,660</b>	<b>(18)</b>	<b>104,990</b>	

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial period ended 31 December 2015 and the accompanying notes attached to this interim financial report.



**Interim Report for the 9-months Financial Period Ended 30 September 2016**

**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 period ended 31 December 2015. For the financial period up to 31 December 2015 and including the financial period ended 30 September 2016, 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 period ended 31 December 2015.

**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 2018:*

- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)
- MFRS 15 Revenue from Contracts with Customers

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations when they become effective in the respective financial periods.

The Group and the Company are in the process of assessing the impact of implementing these Standards, since the effects would only be observable for the future financial years.

- b. *Agriculture : Bearer Plants* (Amendments to MFRS 116 and MFRS 141)

During the financial period, the Group has adopted Amendments to MFRS 141 and MFRS 116 which is effective on 1 January 2016.

The Amendment to MFRS 116 equates a bearer biological plant with a physical plant or machine that produces goods separately. A bearer plant within the scope of MFRS 116 is defined as "a living plant that:

- (a) is used in the production or supply of agricultural produce;
- (b) is expected to bear produce for more than one period; and
- (c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales"





**Interim Report for the 9-months Financial Period Ended 30 September 2016**

In Halex group's horticulture & agro-biotechnologies business, the fronds growing on mother bearer plants is the produce growing on a bearer plant, which is not a bearer plant. This means that the mother bearer plants would need to be bifurcated, a bare biological plant (excluding the growing produce) that is treated as manufacturing plant within the scope of MFRS 116, and fronds growing on trees are then treated as a consumable biological asset and remain within the scope of MFRS 141. The effect of this requirement is to convert the fronds growing on mother bearer plants to a stand-alone consumable biological asset for its separate accounting.

At the date of transition to the Amendment in MFRS 116, the Group had opted to measure the bare bearer plants at cost. The carrying amount of the bearer plants is subject to systematic depreciation and annual impairment test.

As the Amendments would result in changes in the recognition of produce growing on plants and the measurement of both mother bearer plants and produce growing on plants, the effects of the changes shall be accounted for as changes in accounting policies in accordance with MFRS 108. The requirement of MFRS 108 is that the effects of the changes in accounting policies shall be applied *retrospectively*, as if the new policies have always been applied.

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 these Amendments to MFRSs, a prior year adjustment was made as follows:-

	RM'000
Biological Assets	26,036
Property, plant and equipment – Bearer Plant (cost)	(960)
Property, plant and equipment – Bearer Plant (accumulated depreciation)	24
Deferred Taxation liabilities	<u>(5,857)</u>
Decrease in Reserves	<u>19,243</u>

**3. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report for the Company's preceding annual audited financial statements for the financial period ended 31 December 2015 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.



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**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 except as disclosed in the financial statements.

**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 September 2016					Consolidated RM'000
	Investment holding RM'000	Agriculture Supplies & Trading RM'000	Consumer Products RM'000	Horticulture & Agro- biotechnologies RM'000	Eliminations RM'000	
<b>Revenue</b>						
External sales	-	29,703	24,257	2,939	-	56,899
Inter-segment sales	-	5,423	-	219	(5,642)	-
Dividend income	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>35,126</b>	<b>24,257</b>	<b>3,158</b>	<b>(5,642)</b>	<b>56,899</b>
<b>Results</b>						
Segment results	(1,915)	2,918	(540)	(217)	(91)	155
Finance costs	-	(1,026)	(121)	-	-	(1,147)
Finance income	-	62	3	8	-	73
Share of results of associate	(77)	-	-	-	-	(77)
<b>(Loss)/ Profit before taxation</b>	<b>(1,992)</b>	<b>1,954</b>	<b>(658)</b>	<b>(209)</b>	<b>(91)</b>	<b>(996)</b>
<b>Taxation</b>						<b>200</b>
<b>Loss after taxation</b>						<b>(796)</b>



**Interim Report for the 9-months Financial Period Ended 30 September 2016**

**10. Valuation of Property, Plant and Equipment**

The values of property, plant and equipment have been brought forward reinstated with adjustments for the adoption of the amendments to MFRS 116 and 141 from the Company's previous annual audited financial statements for the financial period ended 31 December 2015.

**11. Changes in the Composition of the Group**

- (a) Halex Holdings Berhad ("HHB" or "the Company") has, on 5 May 2016, acquired the entire issued and paid-up capital of the following companies from third parties:
- (i) Halex Management Sdn. Bhd. (Company No. 1164355-A) ("HMSB") comprising of two (2) ordinary shares of RM1.00 each for a cash consideration of RM2.00. Following the Acquisition, HMSB will be a wholly-owned subsidiary of HHB.
  - (ii) Halex Trading Sdn. Bhd. (Company No. 1164360-M) ("HTSB") comprising of two (2) ordinary shares of RM1.00 each for a cash consideration of RM2.00. Following the Acquisition, HTSB will be a wholly-owned subsidiary of HHB.
  - (iii) Halex Ventures Sdn. Bhd. (Company No.1164346-X) ("HVSb") comprising of two (2) ordinary shares of RM1.00 each for a cash consideration of RM2.00. Following the Acquisition, HVSb will be a wholly-owned subsidiary of HHB.

**Information on HMSB, HTSB and HVSb**

HMSB, HTSB and HVSb are companies incorporated on 2 November 2015 with an authorized 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. HMSB, HTSB and HVSb are currently dormant.

- (b) Halex (M) Sdn Bhd, being the 100% owned subsidiary of the Company has on 2 June 2016 finalised the acquisition of the entire issued and paid-up capital of the Pengedaran Beras Lestari Sdn Bhd (Company No.459684-V) ("PBLSB") from third parties comprising of one hundred thousand (100,000) ordinary shares of RM1.00 each for a cash consideration of RM150,000.00. Following the Acquisition, PBLSB will be a wholly-owned subsidiary of HHB.

PBLSB is a company incorporated on 23 March 1998 with an authorised share capital of RM100,000.00 divided into 100,000 ordinary shares of RM1.00 each and an issued paid-up capital of RM100,000.00. PBLSB is in the business of wholesaling, retailing and distribution rice in Malaysia.

**12. Contingent Liabilities**

The contingent liabilities are as follows:

	Company	
	As At 30/9/2016 RM'000	As At 31/12/2015 RM'000
Guarantees given to financial institutions for facilities granted to subsidiaries	51,560	48,263



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**13. Capital Commitments**

As at 30 September 2016, the Group has no outstanding capital commitment following the termination of the corporate exercise mentioned in note B8 below.

**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 A.11.

**15. Disclosure On Realised and Unrealised Profits**

	<b>Company As At 30/9/2016 RM'000</b>	<b>Group As At 30/9/2016 RM'000</b>
Retained earnings of the Company and its subsidiaries:		
- Realised profit	17,373	28,587
- Unrealised profit	265	1,096
	<hr/>	<hr/>
	17,638	29,683
Share of results of associate	-	(77)
	<hr/>	<hr/>
	17,638	29,606
Consolidation adjustments	-	54
Total retained profit	<hr/>	<hr/>
	17,638	29,660



**Interim Report for the 9-months Financial Period Ended 30 September 2016**

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

**1. Review of Performance of the Group**

	(3 months) Current year Quarter ended 30/9/2016 (RM'000)	(3 months) Preceding year Quarter ended 30/9/2015 (RM'000)
Revenue	21,029	22,885
Profit before tax	385	412

For the quarter ended 30 September 2016, the Group registered revenue of RM21.029 million, representing a decrease of RM1.856 million or 8.1% as compared to the corresponding quarter of the preceding year.

The decrease in revenue was mainly due to decreased sales from the Agriculture Supplies & Trading segment.

During the current quarter, the Group has recorded a profit before tax of RM1.080 million against a profit before tax of RM0.412 million in the corresponding quarter of the preceding year. The improved profitability is the result of cost cutting measures taken by the operation business units.

**2. Comparisons with the Immediate Preceding Quarter's Results**

	(3 months) Current Quarter ended 30/9/2016 (RM'000)	(3 months) Preceding Quarter ended 30/6/2016 (RM'000)
Revenue	21,029	18,593
Profit/(Loss) before tax	385	(815)

For the quarter ended 30 September 2016, the Group registered revenue of RM21.029 million, representing an increase of RM2.436 million or 13.1% as compared to the immediate preceding quarter.

The increase in revenue was mainly from the Agriculture Supplies & Trading segment.

During the current quarter, the Group has recorded a profit before tax of RM0.385 million while in the immediate preceding quarter, the Group recorded a loss before tax of RM0.815 million. The improved profit margin mainly come from the sale of higher profit margin products during the quarter under review and lower cost of sale through better price negotiation.

**3. Year 2016 Prospects**

The Group's performance have shown a gradual improvement in the current quarter of 2016 despite the current challenging economic environment. Although the weakening of the ringgit has caused the cost of imported raw materials to increase slightly, the Group managed to keep this within control through focusing on the sale of high margin products and better price negotiation of its costs. The Group is to see further improvements in its business in the last quarter of the year through the management of its costs.



**Interim Report for the 9-months Financial Period Ended 30 September 2016**

**4. Financial Forecast and Profit Guarantee**

The Group has not provided any financial forecast or profit guarantee in any public document.

**5. Taxation**

The taxation figures are as follows:

	<b>Individual Quarter Current Year Quarter 30/9/2016 RM/000</b>	<b>Cumulative Quarter Current Year to-Date 30/9/2016 RM/000</b>
Deferred tax	(84)	289
Income tax	(13)	(89)
	<u>(97)</u>	<u>200</u>

The effective tax rate for the current quarter under review for the Group is slightly higher than the statutory rate of taxation is mainly due to reversal of deferred tax liabilities taken up wrongly previously.

The Group reported lower effective tax rate for the period ended 30 September 2016 than the statutory rate of taxation is mainly due to utilization of losses as a group relief.

**6. Sales of Unquoted Investments and/or Properties**

On 3 February 2016, Halex Biotechnologies Sdn. Bhd., a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with Wan Kok Huat and Ling Lee Chew to dispose a piece of agriculture land for a consideration of RM2,400,000. The disposal does not have a material impact on the Group's results. As at the date of this report, this transaction has been completed.

**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:

	<b>Group</b>	
	<b>As At 30/9/2016 RM'000</b>	<b>As At 31/12/2015 RM'000</b>
As at beginning of year/period	203	129
Gain in fair value adjustment	198	74
As at end of the year/period	<u>401</u>	<u>203</u>
At market value	<u>401</u>	<u>203</u>



**Interim Report for the 9-months Financial Period Ended 30 September 2016**

**8. Status of Corporate Proposal**

Pursuant to the earlier announcements made on 20 March 2015, 21 April 2015, 15 July 2015, 16 July 2016, 3 September 2015, 14 December 2015, and 18 April 2016 in relation to the below corporate exercise:

- a) **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 from Bestempire Limited (“BL”) via cash consideration of RM21,000,000 (“Share Acquisition Agreement or SAA”);**
- b) **Proposed diversification of the existing core business of Halex Holdings Berhad (“Halex” or “the Company”) and its subsidiaries to include property development;**
- c) **Proposed renounceable two-call rights issue of new ordinary shares of RM0.50 each in Halex (“Shares”) together with free detachable warrants to the shareholders of Halex whose names appear in the Record of Depositors of the Company on the date to be determined by the Board of Directors of Halex;**
- d) **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 executive director(s) and/or employee(s) of Halex and its non-dormant subsidiary companies who meets the criteria for participation in the ESS as set out in the by-laws governing the ESS;**
- e) **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; and**
- f) **Proposed amendment to the Memorandum and Articles of Association of Halex. (Collectively the “Proposals”),**

the Board, noting that, and taking into consideration that:

- (i) the conditions precedent of the SAA have not been satisfied by HRSB as at the Fulfilment Date;
- (ii) the current softening property market in Malaysia and prevailing market and economic conditions; and
- (iii) to avoid further capital injection into the project so that the Group can focus on its core business in the agro-chemical and consumable health care products;

has on 20 October 2016, decided that it is in the best interest of the Company not to proceed with the Proposals.

Hence the Company has on 20 October 2016 entered into an agreement with Bestempire Ltd to mutually terminate the SAA dated 20 March 2015 in relation to the Proposed Acquisition. Pursuant to the termination of the SAA, the Company has also decided not to proceed with the Proposed Two-Call Rights Issue with Warrants as the proposed utilisation of proceeds in relation to the Proposed Two-Call Rights Issue with Warrants has been earmarked mainly to finance the Proposed Acquisition.



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**9. Borrowings**

The Group's borrowings as at 30 September 2016 and 31 December 2015 are as follows:

	<b>Secured As at 30/9/2016 RM'000</b>	<b>Secured As at 31/12/2015 RM'000</b>
<b>Short-term borrowings</b>		
Term loan	2,407	2,143
Finance lease and hire purchase payable	7	56
Bills payable	3,069	3,836
Bank overdraft	3,039	3,304
	<u>8,522</u>	<u>9,339</u>
<b>Long-term borrowings</b>		
Term loan	12,227	10,374
Finance lease and hire purchase payable	111	105
	<u>12,338</u>	<u>10,479</u>
<b>Total</b>	<u>20,860</u>	<u>19,818</u>

There was no unsecured debt during the current quarter and financial year to-date.

**10. Material Litigation**

There were no material litigations involving the Group as at the date of this interim report.

**11. Loss Per Share**

(a) Basic

The basic loss 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.

	<b>Individual Quarter Current Year Quarter 30/9/2016</b>	<b>Cumulative Quarter Current Year to- Date 30/9/2016</b>
Profit/(Loss) attributable to equity holders of the Company (RM'000)	287	(796)
Weighted average number of ordinary shares in issue ('000)	105,973	105,973
Basic profit/(loss) per share (sen)	0.27	(0.75)





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(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.

**12. Notes To The Statements Of Comprehensive Income**

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

	Individual Quarter Current Year Quarter 30.9.2016 (RM'000)	Cumulative Quarter Current Year To Date 30.9.2016 (RM'000)
Interest income	(62)	(73)
Other income including investment income	-	(1)
Interest expense	405	1,147
Depreciation and amortization	634	1,863
Provision for/(write back) of receivables	(40)	52
Provision for and write off of inventories	-	-
Gain/ (Loss) on disposal of quoted or unquoted investments or properties	50	50
Impairment of assets	-	-
Foreign exchange (gain) or loss	31	70
Gain or loss on derivatives	-	-
Exceptional items	-	-
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By Order of the Board  
HALEX HOLDINGS BERHAD  
(206220 – U),

Ng Yim Kong  
Company Secretary  
Kuala Lumpur  
29 November 2016