



HALEX GROUP

HALEX HOLDINGS BERHAD

(Company No. 206220-U)

(Incorporated in Malaysia under the Companies Act, 1965)

**Interim Report
For the 12-month Financial Period Ended
31 December 2016**



Interim Report for the 12-month Financial Period Ended 31 December 2016

Unaudited Condensed Consolidated Statement of Comprehensive Income

	INDIVIDUAL QUARTER (3-mth) Current Year Quarter 31/12/2016 RM'000	CUMULATIVE QUARTER (12-mth) Current Year to-Date 31/12/2016 RM'000
Revenue	12,456	69,355
Less: Cost of sales	(13,342)	(56,529)
Gross profit	<u>(886)</u>	<u>12,826</u>
Other income	(117)	394
Fair value gain on biological assets	(517)	(261)
Fair value gain on agriculture produce harvested	187	1,826
Administration and other expenses	(16,593)	(27,076)
Selling and marketing expenses	(2,285)	(7,692)
Finance costs	(435)	(1,582)
Share of results of associate	(22)	(99)
Loss before taxation	<u>(20,668)</u>	<u>(21,664)</u>
Less: Taxation	(593)	(393)
Loss after taxation	<u>(21,261)</u>	<u>(22,057)</u>
Other comprehensive loss		
Foreign currency translation	(10)	(10)
Net surplus arising from revaluation of properties	-	-
Other comprehensive loss for the period	<u>(10)</u>	<u>(10)</u>
Total comprehensive loss for the period	<u>(21,271)</u>	<u>(22,067)</u>
Loss attributable to :		
Equity holders of the Company	<u>(21,261)</u>	<u>(22,057)</u>
Total comprehensive loss attributable to :		
Equity holders of the Company	<u>(21,271)</u>	<u>(22,067)</u>
Loss per share attributable to equity holders of the Company:		
Basic (sen)	(20.06)	(20.81)
Diluted (sen)	n/a	n/a

The Company changed its financial year end from 30 September to 31 December. 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 12-month ended 31 December 2016 and year-to-date for the period ended 31 December 2016. The income statement for the corresponding 4th quarter for the financial period ended 30 September 2015 however is attached for reference.

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.



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Interim Report for the 12-month Financial Period Ended 31 December 2016

Unaudited Condensed Consolidated Statement of Financial Position

	Unaudited As At 31/12/2016 RM'000	Restated Audited As At 31/12/2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	61,248	62,051
Investment in associate	10,326	21,894
Investment properties	5,054	5,054
Investment in quoted shares	252	203
Other investments	26	26
Intangible assets	123	123
Biological assets	2,469	2,494
Development costs	-	465
Total non-current assets	79,498	92,310
Current assets		
Inventories	18,637	25,787
Trade receivables	12,320	11,965
Other receivables, deposits and prepayments	6,390	6,295
Deposits with licensed bank	1,791	1,715
Tax assets	1,440	666
Cash and bank balances	1,969	1,989
Total current assets	42,547	48,417
TOTAL ASSETS	122,045	140,727
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	20,208	20,246
Exchange reserves	106	116
Retained profits	8,399	30,456
Shareholders' equity	83,683	105,788
Non-current liabilities		
Finance lease and hire purchase payables	126	105
Term loans	12,259	10,374
Deferred taxation	3,994	3,773
Total non-current liabilities	16,379	14,252

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 12-month Financial Period Ended 31 December 2016

Unaudited Condensed Consolidated Statement of Financial Position

	Unaudited As At 31/12/2016 RM'000	Restated Audited As At 31/12/2015 RM'000
Current Liabilities		
Trade payables	10,159	8,349
Other payables and accruals	3,510	2,858
Finance lease and hire purchase payables	49	56
Bills payable	2,363	3,836
Term loans	1,916	2,143
Tax payable	217	141
Bank overdraft	3,769	3,304
Total current liabilities	<u>21,983</u>	<u>20,687</u>
Total liabilities	<u>38,362</u>	<u>34,939</u>
TOTAL EQUITY AND LIABILITIES	<u>122,045</u>	<u>140,727</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)	0.79	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 GROUP

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

Interim Report for the 12-month Financial Period Ended 31 December 2016

Unaudited Condensed Consolidated Cash Flow Statement

	12-month ended 31/12/2016 RM'000
CASH FLOW GENERATED FROM OPERATING ACTIVITIES	
Loss before taxation	(21,664)
Adjustments for :	
Amortisation of development cost	81
Amortisation of property, plant & equipment	34
Depreciation	2,371
Dividend income	(3)
Development cost written off	384
Fair value gain on biological assets	261
Gain on disposal of property, plant and equipment	(30)
Inventories written down	25
Inventories written off	544
Impairment on receivables	47
Impairment of investment in associate	11,468
Impairment on plant and equipment	54
Interest expenses	1,582
Interest income	(96)
Loss on foreign exchange - unrealised	538
Plant & equipment written off	339
Share of results of associated company	99
Unrealised gain in value of investment in quoted shares	(49)
Operating loss before working capital changes	<u>(4,015)</u>
Inventories	6,346
Receivables	(496)
Payables	1,925
Cash generated from operations	<u>3,760</u>
Interest paid	(1,582)
Tax paid	(870)
Net cash generated from operating activities	<u><u>1,308</u></u>
CASH FLOW USED IN INVESTING ACTIVITIES	
Dividend received	3
Interest received	20
Purchase of property, plant and equipment	(4,337)
Proceeds from disposal of property, plant and equipment	2,400
Net cash used in investing activities	<u><u>(1,914)</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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HALEX HOLDINGS BERHAD (206220-U)
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Unaudited Condensed Consolidated Cash Flow Statement (cont'd)

	12-month ended 31/12/2016 RM'000
CASH FLOW GENERATED FROM FINANCING ACTIVITIES	
Repayment of of bill payables, net of repayment	(1,473)
Drawdown of term loan	3,400
Repayment of term loans	(1,743)
Repayment of finance lease and hire purchase payables, net of increased	(53)
Net cash generated from financing activities	<u>131</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(475)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(10)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(1,315)
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>(1,800)</u></u>
CASH AND CASH EQUIVALENTS COMPRISE	
Deposit with licensed bank	1,791
Cash and bank balances	1,969
Bank overdraft	(3,769)
	<u>(9)</u>
Less: Deposits pledged to licensed bank	<u>(1,791)</u>
	<u><u>(1,800)</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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HALEX GROUP

Interim Report for the 12-month Financial Period Ended 31 December 2016
Unaudited Condensed Consolidated Statement of Changes in Equity

	Share Capital		Non-distributable		Distributable		Total
	RM'000	RM'000	Share Premium	Exchange Reserves	Retained Profits	Treasury Shares	RM'000
			RM'000	RM'000	RM'000	RM'000	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	-	-	-	87	-	-	87
- Revaluation of property, plant and equipment	-	12,579	-	-	-	-	12,579
As at 31/12/2015	53,000	20,246	1,988	116	49,699	(18)	125,031
As at 1/1/2016	53,000	20,246	1,988	116	49,699	(18)	125,031
Prior year adjustment	-	-	-	-	(19,243)	-	(19,243)
As at 1/1/2016 (Restated)	53,000	20,246	1,988	116	30,456	(18)	105,788
Loss for the period	-	-	-	-	(22,057)	-	(22,057)
Reversal of revaluation reserves	-	(38)	-	-	-	-	(38)
Other comprehensive loss for the period	-	-	-	(10)	-	-	(10)
- Foreign currency translation	-	-	-	(10)	-	-	(10)
As at 31/12/2016	53,000	20,208	1,988	106	8,399	(18)	83,683

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. - Page 6 -



Interim Report for the 12-month Financial Year Ended 31 December 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 31 December 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)
- MFRS15 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 12-month Financial Year Ended 31 December 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.



Interim Report for the 12-month Financial Year Ended 31 December 2016

5. Unusual Items

During the current quarter, the Group has provided an impairment loss of RM11.468 million on investment of associate as shown below:-

	RM'000
Investment in Associate	22,000
Share of post acquisition loss	(206)
	<hr/> 21,794
Less: Recoverable amount	(10,326)
Impairment loss	<hr/> 11,468

The management determined the recoverable amount of the investment in the associate company based on the individual assets' value-in-use and the probability of the realisation of assets. The asset's value-in-use is assumed to be same as the net worth of the asset as at the reporting date. An impairment loss is recognised immediately in profit or loss of the recoverable amount is less than carrying amount.

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.



Interim Report for the 12-month Financial Year Ended 31 December 2016

9. Segmental Reporting

	12-months ended 31 December 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	
Revenue						
External sales	378	33,830	30,883	4,264	-	69,355
Inter-segment sales	-	7,159	35	3	(7,197)	-
Dividend income	-	-	-	-	-	-
Total	378	40,989	30,918	4,267	(7,197)	69,355
Results						
Segment results	(14,644)	(1,604)	(2,068)	(1,555)	(208)	(20,079)
Finance costs	(1,064)	(340)	(178)	-	-	(1,582)
Finance income	1	82	3	10	-	96
Share of results of associate	(99)	-	-	-	-	(99)
Loss before taxation	(15,806)	(1,862)	(2,243)	(1,545)	(208)	(21,664)
Taxation						(393)
Loss after taxation						(22,057)

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.



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Information on HMSB, HTSB and HVSB

HMSB, HTSB and HVSB are companies incorporated on 2 November 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. 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 the entire issued and paid-up capital of the Penedaran 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 31/12/2016 RM'000	As At 31/12/2015 RM'000
Guarantees given to financial institutions for facilities granted to subsidiaries	52,163	48,263

13. Capital Commitments

As at 31 December 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 was no material events subsequent to the end of the interim reporting period reported.



Interim Report for the 12-month Financial Year Ended 31 December 2016

15. Disclosure On Realised and Unrealised Profits

	Company As At 31/12/2016 RM'000	Group As At 31/12/2016 RM'000
Retained earnings of the Company and its subsidiaries:		
- Realised profit	16,352	20,385
- Unrealised loss	-	(11,846)
	<hr/> 16,352	<hr/> 8,539
Share of results of associate	-	(99)
	<hr/> 16,352	<hr/> 8,440
Consolidation adjustments	-	(41)
Total retained profit	<hr/> <hr/> 16,352	<hr/> <hr/> 8,399



Interim Report for the 12-month Financial Year Ended 31 December 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 31/12/2016 (RM'000)	(3 months) Preceding year Quarter ended 31/12/2015 (RM'000)
Revenue	12,456	20,203
Loss before tax	(20,668)	(3,303)

For the quarter ended 31 December 2016, the Group registered revenue of RM12.456 million, representing a decrease of RM7.747 million or 38.3% as compared to the corresponding quarter of the preceding year.

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

During the current quarter, the Group has recorded a loss before tax of RM20.668 million against a loss before tax of RM3.303 million in the corresponding quarter of the preceding year.

The loss before taxation during the quarter was mainly due to recognition of impairment in the investment of its associate company of RM11.468 million and the write off of inventories and development cost. The decreased in turnover was due to the unfavorable business environment.

2. Comparisons with the Immediate Preceding Quarter's Results

	(3 months) Current Quarter ended 31/12/2016 (RM'000)	(3 months) Preceding Quarter ended 30/9/2016 (RM'000)
Revenue	12,456	21,029
(Loss)/profit before tax	(20,668)	385

For the quarter ended 31 December 2016, the Group registered revenue of RM12.456 million, representing a decrease of RM8.573 million or 40.8% as compared to the immediate preceding quarter.

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

During the current quarter, the Group has recorded a loss before tax of RM20.668 million as compared to a profit before tax of RM0.385 million in the immediate preceding quarter. Included in the loss of RM20.668 million is the impairment of the investment in the associate company of RM11.468 million mentioned in Note B1 above and the write off of inventories and development cost. The loss before tax also attributed to the cost of the corporate exercise terminated as mentioned in Note B8 below and unfavorable business environment.



Interim Report for the 12-month Financial Year Ended 31 December 2016

3. Year 2017 Prospects

The economic outlook for 2017 may not be promising due to internal and external factors such as foreign currency fluctuation, consumer sentiment and labor availability. The Board is cautious on the performance of the Group and continue with cost cutting measures to remain competitive in the market in its core business segments.

Barring unforeseen circumstances, the Group performance is expected to show improvement and is prepared to embrace the challenges ahead.

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:

	Individual Quarter Current Year Quarter 31/12/2016 RM/000	Cumulative Quarter Current Year to-Date 31/12/2016 RM/000
Deferred tax	(511)	(222)
Income tax	(82)	(171)
	<u>(593)</u>	<u>(393)</u>

The effective tax rate for the current quarter under review for Group is slightly higher than the statutory rate of taxation is mainly due to income tax provision on certain profitable subsidiaries and deferred tax liabilities recognized during the year.

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.



Interim Report for the 12-month Financial Year Ended 31 December 2016

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 31/12/2016 RM'000	As At 31/12/2015 RM'000
As at beginning of year/period	203	129
Gain in fair value adjustment	49	74
As at end of the year/period	252	203
At market value	252	203

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").



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

Hence the Company has on 20 October 2016 entered into an agreement with Bestempire Ltd to mutually terminate the SAA. Pursuant to the termination of the SAA, the Company has also decided not to proceed with the proposed renounceable two-call rights issue with warrants.

9. Borrowings

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

	Secured As at 31/12/2016 RM'000	Secured As at 31/12/2015 RM'000
Short-term borrowings		
Term loans	1,916	2,143
Finance lease and hire purchase payable	49	56
Bills payable	2,363	3,836
Bank overdraft	3,769	3,304
	<u>8,097</u>	<u>9,339</u>
Long-term borrowings		
Term loans	12,259	10,374
Finance lease and hire purchase payable	126	105
	<u>12,385</u>	<u>10,479</u>
Total	<u>20,482</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.



Interim Report for the 12-month Financial Year Ended 31 December 2016

11. Loss Per Share

(a) Basic

The basic loss per share is calculated by dividing the loss 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 31/12/2016	Cumulative Quarter Current Year to- Date 31/12/2016
Loss attributable to equity holders of the Company (RM'000)	(21,261)	(22,057)
Weighted average number of ordinary shares in issue ('000)	105,973	105,973
Basic loss per share (sen)	(20.06)	(20.81)

(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 31.12.2016 (RM'000)	Cumulative Quarter Current Year To Date 31.12.2016 (RM'000)
Interest income	23	96
Other income including investment income	(140)	298
Interest expense	435	1,582
Depreciation and amortisation	623	2,486
Provision for and write off of receivables	155	207
Provision for and write off of inventories	569	569
Gain/ (Loss) on disposal of quoted or unquoted investments or properties	(20)	30
Impairment of investment in associate	11,468	11,468
Development cost written off	384	384
Impairment of plant and equipment	54	54
Plant and equipment written off	339	339
Goodwill written off	79	79
Foreign exchange loss	584	654
Gain or loss on derivatives	-	-
Exceptional items	-	-



HALEX GROUP

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

Interim Report for the 12-month Financial Year Ended 31 December 2016

By Order of the Board
HALEX HOLDINGS BERHAD
(206220 – U),

Ng Yim Kong
Company Secretary
Kuala Lumpur
28 February 2017



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

Unaudited Condensed Consolidated Statement of Comprehensive Income

	<u>INDIVIDUAL</u> <u>QUARTER</u> (3-mth) Current Year Quarter 30/09/2015 RM'000	<u>CUMULATIVE</u> <u>QUARTER</u> (12-mth) Current Year to-Date 30/09/2015 RM'000
Revenue	22,885	105,642
Less: Cost of sales	(17,765)	(81,820)
Gross profit	5,120	23,822
Other income	154	712
Administration and other expenses	(2,812)	(11,211)
Selling and marketing expenses	(1,865)	(8,751)
Finance costs	(249)	(1,194)
Share of results of associate	64	(64)
Profit before taxation	412	3,314
Less: Taxation	(214)	(1,248)
Profit after taxation	198	2,066
Other comprehensive income		
Foreign currency translation	15	72
Other comprehensive income for the period	15	72
Total comprehensive income for the period	213	2,138
Profit attributable to :		
Equity holders of the Company	198	2,066
Total comprehensive income attributable to :		
Equity holders of the Company	213	2,138
Profit per share attributable to equity holders of the Company:		
Basic (sen)	0.19	1.95
Diluted (sen)	n/a	n/a