



HALEX GROUP

HALEX HOLDINGS BERHAD

(Company No. 206220-U)

(Incorporated in Malaysia under the Companies Act, 1965)

**Interim Report
For the 3-month Financial Period Ended
31 March 2017**



Interim Report for the 3-month Financial Period Ended 31 March 2017

Unaudited Condensed Statements of Profit or Loss and Other Comprehensive Income

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(3-mth) Current Year Quarter 31/3/2017 RM'000	(3-mth) Preceding Year Quarter 31/3/2016 RM'000	(3-mth) Current Year to-Date 31/3/2017 RM'000	(3-mth) Preceding Year to-Date 31/3/2016 RM'000
Revenue	13,783	16,572	13,783	16,572
Cost of sales	(13,284)	(13,196)	(13,284)	(13,196)
Gross profit	499	3,376	499	3,376
Other income	133	779	133	779
Net gain arising from changes in fair value of biological assets	890	1,019	890	1,019
Selling and marketing expenses	(1,888)	(1,830)	(1,888)	(1,830)
Administration expenses	(2,657)	(3,525)	(2,657)	(3,525)
Finance costs	(425)	(360)	(425)	(360)
Share of results of associate	(118)	(24)	(118)	(24)
Loss before taxation	(3,566)	(565)	(3,566)	(565)
Less: Taxation	(76)	(51)	(76)	(51)
Loss after taxation	(3,642)	(616)	(3,642)	(616)
Other comprehensive loss				
Foreign currency translation	(4)	(9)	(4)	(9)
Other comprehensive loss for the period	(4)	(9)	(4)	(9)
Total comprehensive loss for the period	(3,646)	(625)	(3,646)	(625)
Loss for the financial period attributable to :				
Owners of the Parent	(3,642)	(616)	(3,642)	(616)
Total comprehensive loss attributable to :				
Owners of the Parent	(3,646)	(625)	(3,646)	(625)
Loss per share				
Basic (sen)	(3.44)	(0.58)	(3.44)	(0.58)
Diluted (sen)	n/a	n/a	n/a	n/a

The unaudited Condensed Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying notes attached to this interim financial report.



HALEX GROUP

HALEX HOLDINGS BERHAD (208220-U)
(Incorporated in Malaysia under the Companies Act, 1965)

Interim Report for the 3-month Financial Period Ended 31 March 2017

Unaudited Condensed Statements of Financial Position

	Unaudited As At 31/3/2017 RM'000	Audited As At 31/12/2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	60,697	61,248
Investment properties	5,031	5,054
Investment in associate company	10,413	10,531
Investment in quoted securities	284	252
Other investments	26	26
Intangible assets	123	123
	<u>76,574</u>	<u>77,234</u>
Current assets		
Inventories	15,248	18,637
Biological assets	2,785	2,469
Trade receivables	8,981	12,393
Other receivables	5,399	6,414
Tax recoverable	1,426	1,406
Deposits with licensed banks	1,772	1,772
Cash and bank balances	2,725	1,969
	<u>38,336</u>	<u>45,060</u>
TOTAL ASSETS	<u>114,910</u>	<u>122,294</u>
	Unaudited As At 31/3/2017 RM'000	Audited As At 31/12/2016 RM'000
EQUITY AND LIABILITIES		
Equity		
Share capital	53,000	53,000
Revaluation reserves	20,208	20,208
Share premium	1,988	1,988
Exchange reserves	102	106
Treasury shares	(18)	(18)
Retained earnings	4,862	8,504
Total equity	<u>80,142</u>	<u>83,788</u>
Non-current liabilities		
Term loans	12,022	12,259
Finance lease payables	115	126
Deferred taxation liabilities	4,162	4,087
Total non-current liabilities	<u>16,299</u>	<u>16,472</u>

The unaudited Condensed Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying notes attached to this interim financial report.



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Interim Report for the 3-month Financial Period Ended 31 March 2017

Unaudited Condensed Statements of Financial Position (Cont'd)

	Unaudited As At 31/3/2017 RM'000	Audited As At 31/12/2016 RM'000
Current Liabilities		
Trade payables	7,900	10,159
Other payables	2,775	3,606
Term loans	1,915	1,916
Finance lease payables	47	48
Bills payable	3,156	2,363
Bank overdrafts	2,503	3,769
Tax payable	173	173
Total current liabilities	<u>18,469</u>	<u>22,034</u>
Total liabilities	<u>34,768</u>	<u>38,506</u>
TOTAL EQUITY AND LIABILITIES	<u>114,910</u>	<u>122,294</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)	0.76	0.79

The unaudited Condensed Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 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 3-month Financial Period Ended 31 March 2017

Unaudited Condensed Statements of Cash Flows

	3-month ended 31/3/2017 RM'000	3-month ended 31/3/2016 RM'000
CASH FLOW GENERATED FROM OPERATING ACTIVITIES		
Loss before taxation	(3,566)	(565)
Allowance for impairment on receivables	-	45
Amortisation of development cost	-	20
Depreciation of property, plant and equipment	613	569
Dividend income	(1)	(1)
Fair value gain on biological assets	(890)	(1,019)
(Gain)/ Loss on foreign exchange-unrealised	(196)	70
Gain on investment in quoted shares - unrealised	(32)	(43)
Interest expenses	425	360
Interest income	(14)	(7)
Plant and equipment written off	-	17
Share of associate company's results	118	24
Operating loss before working capital changes	<u>(3,543)</u>	<u>(530)</u>
Changes in working capital:		
Biological assets	574	671
Inventories	3,389	2,045
Receivables	4,426	(2,754)
Payables	(2,894)	3,536
	<u>5,495</u>	<u>3,498</u>
Cash generated from operations	1,952	2,968
Interest paid	(425)	(360)
Tax paid	(20)	(290)
	<u>(445)</u>	<u>(650)</u>
Net cash generated from operating activities	<u>1,507</u>	<u>2,318</u>
CASH FLOW USED IN INVESTING ACTIVITIES		
Acquisition of associate company		
Dividend received	1	1
Interest received	13	7
Purchase of property, plant and equipment	(38)	(83)
Net cash used in investing activities	<u>(24)</u>	<u>(75)</u>

The unaudited Condensed Statements of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying notes attached to this interim financial report.



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HALEX HOLDINGS BERHAD (206220-U)
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Interim Report for the 3-month Financial Period Ended 31 March 2017

Unaudited Condensed Statements of Cash Flows (Cont'd)

	3-month ended 31/3/2017 RM'000	3-month ended 31/3/2016 RM'000
CASH FLOW GENERATED FROM/ (USED IN) FINANCING ACTIVITIES		
Repayment of hire purchase payables	(13)	(16)
(Increased)/ Repayment of bankers' acceptance and trust receipts	793	(1,703)
Repayment of term loans	(237)	(417)
Net cash generated from/ (used in) financing activities	<u>543</u>	<u>(2,136)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,026	107
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(4)	(9)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(1,800)	(1,315)
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>222</u>	<u>(1,217)</u>
CASH AND CASH EQUIVALENTS COMPRISE		
Deposit with licensed bank	1,772	1,716
Cash and bank balances	2,725	759
Bank overdraft	(2,503)	(1,976)
	<u>1,994</u>	<u>499</u>
Less: Deposits pledged to licensed bank	<u>(1,772)</u>	<u>(1,716)</u>
	<u>222</u>	<u>(1,217)</u>

The unaudited Condensed Statements of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying notes attached to this interim financial report.



HALEX HOLDINGS BERHAD (206220-U)
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HALEX GROUP

Interim Report for the 3-month Financial Period Ended 31 March 2017
Unaudited Condensed Statements of Changes in Equity

	Share Capital		Non-distributable		Distributable		Total
	RM'000	RM'000	Share Revaluation Reserves RM'000	Share Premium RM'000	Exchange Reserves RM'000	Treasury Shares RM'000	Retained Earnings RM'000
As at 1/1/2017	53,000	20,208	1,988	106	(18)	8,504	83,788
Loss for the period	-	-	-	-	-	(3,642)	(3,642)
Other comprehensive loss for the period	-	-	-	(4)	-	-	(4)
- Foreign currency translation	-	-	-	(4)	-	-	(4)
As at 31/3/2017	53,000	20,208	1,988	102	(18)	4,862	80,142
As at 01/1/2016	53,000	20,246	1,988	116	(18)	30,456	105,788
Loss for the year	-	-	-	-	-	(21,952)	(21,952)
Other comprehensive income for the year	-	-	-	(10)	-	-	(10)
- Foreign currency translation	-	-	-	(10)	-	-	(10)
- Revaluation of property, plant and equipment	-	(38)	-	-	-	-	(38)
As at 31/12/2016	53,000	20,208	1,988	106	(18)	8,504	83,788

The unaudited Condensed Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying notes attached to this interim financial report.



Interim Report for the 3-month Financial Year Ended 31 March 2017

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 2016. For the financial period up to 31 December 2016 and including the financial period ended 31 March 2017, 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 2016.

2. Significant Accounting Policies

The financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and IC interpretations of the MFRS that have been issued by the MASB but are not yet effective and have not been adopted by the Group:-

		Effective dates for the financial year beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
	<i>Clarifications to MFRS 15 Revenue from Contracts with Customers</i>	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 <i>Financial Instruments</i> with MFRS 4 <i>Insurance Contracts</i>	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
	Annual Improvements to MFRS Standards 2014–2016 Cycle	1 January 2018



Interim Report for the 3-month Financial Year Ended 31 March 2017

MFRS 16	Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

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.

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 2016 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 period 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 period 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 period to-date.

8. Dividend

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



Interim Report for the 3-month Financial Year Ended 31 March 2017

9. Segmental Reporting

	3-months ended 31 March 2017					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	-	6,310	6,286	1,187	-	13,783
Inter-segment sales	-	1,657	10	-	(1,667)	-
Total	-	7,967	6,296	1,187	(1,667)	13,783

Results

Segment results	(552)	(296)	(2,444)	320	(37)	(3,009)
Finance costs	(263)	(107)	(55)	-	-	(425)
Finance income	1	(16)	1	-	-	(14)
Share of results of associate	(118)	-	-	-	-	(118)
(Loss)/ Profit before taxation	(932)	(419)	(2,498)	320	(37)	(3,566)
Taxation	-	-	-	(76)	-	(76)
(Loss)/ Profit after taxation	(932)	(419)	(2,498)	244	(37)	(3,642)

	3-months ended 31 March 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	-	7,508	7,795	1,269	-	16,572
Inter-segment sales	-	1,196	-	2	(1,198)	-
Total	-	8,704	7,795	1,271	(1,198)	16,572

Results

Segment results	(451)	(354)	420	175	27	(183)
Finance costs	-	(321)	(39)	-	-	(360)
Finance income	-	-	2	-	-	2
Share of results of associate	(24)	-	-	-	-	(24)
(Loss)/ Profit before taxation	(475)	(675)	383	175	27	(565)
Taxation	-	-	-	(51)	-	(51)
(Loss)/ Profit after taxation	(475)	(675)	383	124	27	(616)



Interim Report for the 3-month Financial Year Ended 31 March 2017

10. Valuation of Property, Plant and Equipment

The values of property, plant and equipment have been brought forward without amendment from the Company's previous annual audited financial statements for the financial year ended 31 December 2016.

11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the financial period under review.

12. Contingent Liabilities

The contingent liabilities are as follows:

	Company	
	As At 31/3/2017 RM'000	As At 31/12/2016 RM'000
Guarantees given to financial institutions for facilities granted to subsidiaries	52,163	52,163

13. Capital Commitments

There were no material capital commitments entered into and not provided for by the Group during the current quarter under review.

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.

15. Disclosure On Realised and Unrealised Profits

	Company As At 31/3/2017 RM'000	Group As At 31/3/2017 RM'000
Retained earnings of the Company and its subsidiaries:		
- Realised profit	15,722	5,777
- Unrealised loss	-	(738)
	15,722	5,039
Share of results of associate	-	(118)
	15,722	4,921
Consolidation adjustments	-	(59)
Total retained profit	15,722	4,862



Interim Report for the 3-month Financial Year Ended 31 March 2017

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 31/3/2017 (RM'000)	(3 months) Preceding year Quarter ended 31/3/2016 (RM'000)
Revenue	13,783	16,572
Loss before tax	(3,566)	(565)

For the quarter ended 31 March 2017, the Group registered revenue of RM13.783 million, representing a decrease of RM2.789 million or 16.8% 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 segment and Consumer Products segment.

During the current quarter, the Group has recorded a loss before tax of RM3.566 million against a loss before tax of RM0.565 million in the corresponding quarter of the preceding year.

The loss before taxation during the quarter was mainly due to decreased in turnover affected by unfavorable business environment.

2. Comparisons with the Immediate Preceding Quarter's Results

	(3 months) Current Quarter ended 31/3/2017 (RM'000)	(3 months) Preceding Quarter ended 31/12/2016 (RM'000)
Revenue	13,783	12,456
Loss before tax	(3,566)	(20,471)

For the quarter ended 31 March 2017, the Group registered revenue of RM13.783 million, representing an increase of RM1.327 million or 10.7% as compared to the immediate preceding quarter. The increase in revenue was mainly contributed from Agriculture Supplies and Trading segment.

During the current quarter, the Group has recorded a loss before tax of RM3.566 million as compared to a loss before tax of RM20.471 million in the immediate preceding quarter.

The Group recorded a lower loss before tax mainly due to lesser impairment in assets.



Interim Report for the 3-month Financial Year Ended 31 March 2017

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 efficient utilization of all resources to bring down cost to remain competitive in the market in its core business segments.

In this year 2017, the management is reviewing the Group's structure and business model to identify areas of improvement such as streamlining the operations and cost rationalization. The exercise is aimed to achieve efficiency, enhanced productivity and improved financial performance. The management is exploring additional activities and support as to achieve the improved sales for better results.

Barring unforeseen circumstances, with the abovementioned strategies in place, 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		Cumulative Quarter	
	Current Year Quarter 31/3/2017 RM/000	Preceding Year Quarter 31/3/2016 RM/000	Current Year to-Date 31/3/2017 RM/000	Preceding Year to-Date 31/3/2016 RM/000
Deferred tax	(76)	(51)	(76)	(51)
Income tax	-	-	-	-
	<u>(76)</u>	<u>(51)</u>	<u>(76)</u>	<u>(51)</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 deferred tax liabilities recognized during the year.

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.



Interim Report for the 3-month Financial Year Ended 31 March 2017

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 31/3/2017 RM'000	As At 31/12/2016 RM'000
As at beginning of year/period	252	203
Gain in fair value adjustment	32	49
As at end of the year/period	284	252
 At market value	 284	 252

8. Status of Corporate Proposal

There were no corporate proposals for the financial period under review.

9. Borrowings

The Group's borrowings as at 31 March 2017 and 31 December 2016 are as follows:

	Secured As at 31/3/2017 RM'000	Secured As at 31/12/2016 RM'000
Short-term borrowings		
Term loans	1,915	1,916
Finance lease payables	47	48
Bills payable	3,156	2,363
Bank overdraft	2,503	3,769
	7,621	8,096
Long-term borrowings		
Term loans	12,022	12,259
Finance lease payables	115	126
	12,137	12,385
 Total	 19,758	 20,481

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



Interim Report for the 3-month Financial Year Ended 31 March 2017

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 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		Cumulative Quarter	
	Current Year Quarter 31/3/2017	Preceding Year Quarter 31/3/2016	Current Year to- Date 31/3/2017	Preceding Year to- Date 31/3/2016
Loss attributable to equity holders of the Company (RM'000)	<u>(3,642)</u>	<u>(616)</u>	<u>(3,642)</u>	<u>(616)</u>
Weighted average number of ordinary shares in issue ('000)	<u>105,973</u>	<u>105,973</u>	<u>105,973</u>	<u>105,973</u>
Basic loss per share (sen)	<u>(3.44)</u>	<u>(0.58)</u>	<u>(3.44)</u>	<u>(0.58)</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.



Interim Report for the 3-month Financial Year Ended 31 March 2017

12. Notes To The Statements Of Comprehensive Income

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.3.2017 (RM'000)	Preceding Year Quarter 31.3.2016 (RM'000)	Current Year To Date 31.3.2017 6RM'000)	Preceding Year To Date 31.3.2016 (RM'000)
Interest income	14	7	14	7
Other income including investment income	119	772	119	772
Interest expense	425	360	425	360
Depreciation and amortisation	613	589	613	589
Impairment of and write off of receivables	-	45	-	45
Impairment of and write off of inventories	-	-	-	-
Gain/ (Loss) on disposal of quoted or unquoted investments or properties	-	-	-	-
Impairment of assets	-	-	-	-
Plant and equipment written off	-	17	-	17
Goodwill written off	-	-	-	-
Foreign exchange gain/(loss)	48	(47)	48	(47)
Gain or loss on derivatives	-	-	-	-
Exceptional items	-	-	-	-

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

Ng Yim Kong
Company Secretary
Kuala Lumpur
29 May 2017