



HALEX GROUP

# **HALEX HOLDINGS BERHAD**

(Company No. 206220-U)

(Incorporated in Malaysia under the Companies Act, 1965)

## **Interim Report For the 12-months Financial Year Ended 31 December 2017**



**Interim Report for the 12-months Financial Year Ended 31 December 2017**

**Unaudited Condensed Statements of Profit or Loss and Other Comprehensive Income**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(3-mth) Current Year Quarter 31/12/2017 RM'000	(3-mth) Preceding Year Quarter 31/12/2016 RM'000	(12-mth) Current Year to-Date 31/12/2017 RM'000	(12-mth) Preceding Year to-Date 31/12/2016 RM'000
Revenue	18,355	11,751	69,039	68,650
Cost of sales	(16,956)	(13,338)	(60,668)	(56,525)
Gross profit/ (Gross loss)	1,399	(1,587)	8,371	12,125
Other income	7,898	648	8,581	1,159
Net gain/ (loss) arising from changes in fair value of biological assets	421	(330)	1,453	1,565
Selling and marketing expenses	(1,563)	(2,212)	(6,802)	(7,618)
Administration expenses	(13,431)	(16,534)	(21,654)	(27,017)
Finance costs	(199)	(435)	(1,413)	(1,582)
Share of results of associate	(5)	(22)	(64)	(99)
Loss before taxation	(5,480)	(20,472)	(11,528)	(21,467)
Less: Taxation	(733)	(684)	(875)	(485)
<b>Loss after taxation</b>	<b>(6,213)</b>	<b>(21,156)</b>	<b>(12,403)</b>	<b>(21,952)</b>
<b>Other comprehensive loss:-</b>				
Revaluation of property, plant and equipment	(1,256)	(38)	(1,256)	(38)
Foreign currency translation	8	(10)	9	(10)
Other comprehensive loss for the year	(1,248)	(48)	(1,247)	(48)
<b>Total comprehensive loss for the year</b>	<b>(7,461)</b>	<b>(21,204)</b>	<b>(13,650)</b>	<b>(22,000)</b>
Loss for the financial year attributable to : Owners of the Parent	<b>(6,213)</b>	<b>(21,156)</b>	<b>(12,403)</b>	<b>(21,952)</b>
Total comprehensive loss attributable to : Owners of the Parent	<b>(7,461)</b>	<b>(21,204)</b>	<b>(13,650)</b>	<b>(22,000)</b>
Loss per share				
Basic (sen)	(5.86)	(19.96)	(11.70)	(20.71)
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.



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**Interim Report for the 12-months Financial Year Ended 31 December 2017**

**Unaudited Condensed Statements of Financial Position**

	<b>Unaudited As At 31/12/2017 RM'000</b>	<b>Audited As At 31/12/2016 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	54,890	61,248
Investment properties	5,249	5,054
Investment in associate company	-	10,531
Investment in quoted securities	-	252
Other investments	26	26
Intangible assets	-	123
	<b>60,165</b>	<b>77,234</b>
<b>Current assets</b>		
Inventories	17,578	18,637
Biological assets	2,053	2,469
Trade receivables	14,237	12,393
Other receivables	5,070	6,414
Tax recoverable	1,517	1,406
Deposits with licensed banks	1,828	1,772
Cash and bank balances	24,242	1,969
	<b>66,525</b>	<b>45,060</b>
<b>TOTAL ASSETS</b>	<b>126,690</b>	<b>122,294</b>
	<b>Unaudited As At 31/12/2017 RM'000</b>	<b>Audited As At 31/12/2016 RM'000</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	54,988	53,000
Revaluation reserves	18,952	20,208
Share premium	-	1,988
Exchange reserves	115	106
Treasury shares	(18)	(18)
Accumulated loss/ Retained earnings	(381)	8,504
<b>Total equity</b>	<b>73,656</b>	<b>83,788</b>
<b>Non-current liabilities</b>		
Term loans	26,034	12,259
Finance lease payables	29	126
Deferred taxation liabilities	3,174	4,087
<b>Total non-current liabilities</b>	<b>29,237</b>	<b>16,472</b>

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 12-months Financial Year Ended 31 December 2017**

**Unaudited Condensed Statements of Financial Position (Cont'd)**

	<b>Unaudited As At 31/12/2017 RM'000</b>	<b>Audited As At 31/12/2016 RM'000</b>
<b>Current Liabilities</b>		
Trade payables	8,253	10,159
Other payables	2,436	3,606
Term loans	2,079	1,916
Finance lease payables	41	48
Bills payable	9,176	2,363
Bank overdrafts	1,776	3,769
Tax payable	36	173
<b>Total current liabilities</b>	<u>23,797</u>	<u>22,034</u>
<b>Total liabilities</b>	<u>53,034</u>	<u>38,506</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>126,690</u>	<u>122,294</u>
No. of ordinary shares in issue ('000)	105,973	105,973
Net assets per share attributable to equity holders of the Company (RM)	0.70	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.



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**Interim Report for the 12-months Financial Year Ended 31 December 2017**

**Unaudited Condensed Statements of Cash Flows**

	<b>12-month ended 31/12/2017 RM'000</b>	<b>12-month ended 31/12/2016 RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(11,528)	(21,467)
Adjustments for:-		
Allowance for impairment on receivables	435	55
Allowance for impairment on plant and equipment	4,795	-
Allowance for impairment written back	-	(25)
Allowance for impairment on investment in associate	-	11,263
Amortisation of development cost	-	81
Bad debts written off	135	160
Depreciation of property, plant and equipment	2,313	2,405
Deposit written off	-	1
Development costs written off	-	384
Dividend income	(1)	(3)
Fair value gain on investment property	(195)	-
Gain on disposal of property, plant and equipment	(14)	(30)
Fair value gain on biological assets	(1,453)	(1,565)
(Gain)/ Loss on foreign exchange-unrealised	(606)	538
Loss on disposal of quoted shares	5	-
Gain on investment in quoted shares - realised	(36)	-
Gain on investment in quoted shares - unrealised	-	(49)
Gain on disposal of an associate	(7,533)	-
Impairment loss on property, plant and equipment	-	54
Interest expenses	1,413	1,582
Interest income	(76)	(96)
Inventories written down	995	24
Inventories written off	-	544
Intangible assets written off	123	-
Plant and equipment written off	814	341
Share of associate company's results	64	99
Operating loss before working capital changes	<u>(10,350)</u>	<u>(5,704)</u>
Changes in working capital:		
Biological assets	1,869	1,711
Inventories	64	6,460
Receivables	1,430	(736)
Payables	(2,470)	548
	<u>893</u>	<u>7,983</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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**Interim Report for the 12-months Financial Year Ended 31 December 2017**

**Unaudited Condensed Statements of Cash Flows (Cont'd)**

	<b>12-month ended 31/12/2017 RM'000</b>	<b>12-month ended 31/12/2016 RM'000</b>
Cash (used in)/ generated from operations	(9,457)	2,279
Interest paid	(1,413)	(1,582)
Tax paid	(1,307)	(881)
	<u>(2,720)</u>	<u>(2,463)</u>
<b>Net cash used in operating activities</b>	<u>(12,177)</u>	<u>(184)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Dividend received	1	3
Interest received	20	39
Proceeds from disposal of quoted shares	284	-
Proceeds from disposal of plant and equipment	82	2,380
Proceeds from disposal of an associate	15,500	-
Purchase of property, plant and equipment	(99)	(4,318)
	<u>15,788</u>	<u>(1,896)</u>
<b>Net cash generated from/ (used in) investing activities</b>	<u>15,788</u>	<u>(1,896)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Drawdown of term loan	24,800	3,400
Increased/ Repayment of bank borrowings	(4,049)	(1,743)
Repayment of hire purchase payables	(105)	(52)
	<u>20,646</u>	<u>1,605</u>
<b>Net cash generated from financing activities</b>	<u>20,646</u>	<u>1,605</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	24,257	(475)
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	9	(10)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	(1,800)	(1,315)
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<u>22,466</u>	<u>(1,800)</u>
<b>CASH AND CASH EQUIVALENTS COMPRISE</b>		
Deposit with licensed bank	1,828	1,772
Cash and bank balances	24,242	1,969
Bank overdraft	(1,776)	(3,769)
	<u>24,294</u>	<u>(28)</u>
Less: Deposits pledged to licensed bank	<u>(1,828)</u>	<u>(1,772)</u>
	<u>22,466</u>	<u>(1,800)</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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**Interim Report for the 12-months Financial Year Ended 31 December 2017****Unaudited Condensed Statements 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	Treasury Shares RM'000	Accumulated loss/ Retained earnings RM'000	
As at 1/1/2017	53,000	20,208	1,988	106	(18)	8,504	83,788
Loss for the year	-	-	-	-	-	(12,403)	(12,403)
Other comprehensive loss for the year							
- Foreign currency translation	-	-	-	9	-	-	9
- Revaluation of property, plant and equipment	-	(1,256)	-	-	-	3,518	2,262
Transition in accordance with Section 618(2) of the Companies Act 2016 (Note 1)	1,988	-	(1,988)	-	-	-	-
<b>As at 31/12/2017</b>	<b>54,988</b>	<b>18,952</b>	<b>-</b>	<b>115</b>	<b>(18)</b>	<b>(381)</b>	<b>73,656</b>
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 loss for the year							
- Foreign currency translation	-	-	-	(10)	-	-	(10)
- Revaluation of property, plant and equipment	-	(38)	-	-	-	-	(38)
<b>As at 31/12/2016</b>	<b>53,000</b>	<b>20,208</b>	<b>1,988</b>	<b>106</b>	<b>(18)</b>	<b>8,504</b>	<b>83,788</b>

**Note 1:**

Pursuant to Section 74 of the Companies Act, 2016, no par or nominal value with effect from 31 January 2017. Transitional provision as per Section 618 of the Companies Act, 2016, any amount standing to the credit of the share premium account shall form part of the Company's share capital.

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 12-months Financial Year Ended 31 December 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 year ended 31 December 2016. For the financial year up to 31 December 2016 and including the financial year ended 31 December 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 year 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, 2016 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
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018





**Interim Report for the 12-months Financial Year Ended 31 December 2017**

Annual Improvements to MFRS Standards 2014–2016 Cycle		1 January 2018
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
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 year 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 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.



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**9. Segmental Reporting**

	12-months ended 31 December 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	
<b>Revenue</b>						
External sales	-	36,586	28,310	4,143	-	69,039
Inter-segment sales	1,779	10,492	37	-	(12,308)	-
<b>Total</b>	<b>1,779</b>	<b>47,078</b>	<b>28,347</b>	<b>4,143</b>	<b>(12,308)</b>	<b>69,039</b>
<b>Results</b>						
Segment results	(8,599)	(363)	(11,745)	(1,888)	12,468	(10,127)
Finance costs	(710)	(429)	(274)	-	-	(1,413)
Finance income	5	56	12	3	-	76
Share of results of associate	(64)	-	-	-	-	(64)
(Loss)/ Profit before taxation	(9,368)	(736)	(12,007)	(1,885)	12,468	(11,528)
Taxation	(72)	(250)	891	170	(1,614)	(875)
(Loss)/ Profit after taxation	(9,440)	(986)	(11,116)	(1,715)	10,854	(12,403)

	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	
<b>Revenue</b>						
External sales	-	33,502	30,883	4,265	-	68,650
Inter-segment sales	-	7,159	35	3	(7,197)	-
<b>Total</b>	<b>-</b>	<b>40,661</b>	<b>30,918</b>	<b>4,268</b>	<b>(7,197)</b>	<b>68,650</b>
<b>Results</b>						
Segment results	(14,439)	(1,612)	(2,068)	(1,555)	(208)	(19,882)
Finance costs	(1,064)	(340)	(178)	-	-	(1,582)
Finance income	-	83	4	9	-	96
Share of results of associate	(99)	-	-	-	-	(99)
Loss before taxation	(15,602)	(1,869)	(2,242)	(1,546)	(208)	(21,467)
Taxation	(80)	(69)	(642)	306	-	(485)
Loss after taxation	(15,682)	(1,938)	(2,884)	(1,240)	(208)	(21,952)



**Interim Report for the 12-months Financial Year Ended 31 December 2017**

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

In December 2017, the Group carried out a revaluation on all the properties of the Group. In consequence thereof, the net revaluation surplus of RM2.262 million and deferred tax liabilities of RM0.121 million was recorded during the quarter.

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

There were no changes in the composition of the Group during the financial period under review except for the following:

The Company had on 20 November 2017, obtained the shareholders' approval at the Extraordinary General Meeting in respect of the disposal of the entire shareholding of 1,250,000 ordinary shares representing 25% equity interest in the associate company, Kensington Development Sdn. Bhd. held by the wholly owned subsidiary company, Halex Realty Sdn. Bhd. for a total disposal consideration of RM18,000,000. The said proposed disposal was completed on 23 November 2017.

**12. Contingent Liabilities**

The contingent liabilities are as follows:

	<b>Company</b>	
	<b>As At 31/12/2017 RM'000</b>	<b>As At 31/12/2016 RM'000</b>
Guarantees given to financial institutions for facilities granted to subsidiaries	<u>45,463</u>	<u>52,163</u>

**13. Capital Commitments**

The amount of capital commitment of the Group was as follow:-

	<b>As at 31/12/2017 RM'000</b>
Authorised and contracted for:-	
Purchase of 6-storey shop office	<u>6,210</u>

**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-months Financial Year Ended 31 December 2017**

**15. Related party transactions**

The following table provides information on the transactions which have been entered into with related parties during the 12-months ended 31 December 2017 and 31 December 2016.

	Note	Transaction Value	
		31/12/2017 RM'000	31/12/2016 RM'000
Sales of raw material:- Hextar Chemicals Sdn. Bhd.	#	<u>2,583</u>	<u>Nil</u>
Purchase of raw material:- Hextar Chemicals Sdn. Bhd.	#	<u>3,166</u>	<u>Nil</u>

#The directors and/or major shareholders of Halex Holdings Berhad are directors and/or major shareholders of this company.

The outstanding balances arising from related party transactions as at 31 December 2017 and 31 December 2016 were as follows:-

	Transaction Value	
	31/12/2017 RM'000	31/12/2016 RM'000
Total outstanding balances due from/(to) related parties included in:-		
Trade receivables	<u>2,143</u>	<u>Nil</u>
Trade payables	<u>1,506</u>	<u>Nil</u>



**Interim Report for the 12-months Financial Year Ended 31 December 2017**

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

	<b>Group As At 31/12/2017 RM'000</b>	<b>Group As At 31/12/2016 RM'000</b>
Retained earnings of the Company and its subsidiaries:		
- Realised profit	2,725	10,001
- Unrealised loss	(1,311)	(1,357)
	<hr/> 1,414	<hr/> 8,644
Share of results of associate	(64)	(99)
	<hr/> 1,350	<hr/> 8,545
Consolidation adjustments	(1,731)	(41)
Total (accumulated loss)/ retained profit	<hr/> <hr/> <b>(381)</b>	<hr/> <hr/> <b>8,504</b>



**Interim Report for the 12-months Financial Year Ended 31 December 2017**

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

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

For the quarter ended 31 December 2017, the Group registered revenue of RM18.36 million, representing an increase of RM6.61 million or 56.3% as compared to the corresponding quarter of the preceding year. The increase was mainly contributed from the increase in revenue from the Agriculture Supplies & Trading segment.

On the cumulative year to-date financial year ("YTD") basis, the Group reported revenue of RM69.04 million, an increase of RM0.39 million or 0.6% as compared to the corresponding YTD.

During the current quarter, the Group recorded a loss before tax of RM5.48 million against a loss before tax of RM20.47 million in the corresponding quarter of the preceding year. Included in the current quarter, the Group recorded a gain of disposal amounted to RM7.53 million in respect of the disposal of associate company, Kensington Development Sdn. Bhd. held by the wholly owned subsidiary company, Halex Realty Sdn. Bhd. of which the disposal was completed on 23 November 2017. In addition to that, the Group also undertook an impairment exercise on property, plant and equipment, inventory and receivables upon advice from the auditors resulted in a total write off and impairment amounted to RM11.52 million being reflected in the financial statements. Correspondingly, Included in the corresponding quarter, there was an impairment of RM11.26 million on investment in associate company.

On YTD, the Group reported a loss before tax of RM11.53 million as compared to RM21.47 million, representing a reduction of loss before taxation of RM9.94 or 46.3%. The reduction in losses was mainly due to gain of disposal of associate company amounted to RM7.53 million as above mentioned.

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

	(3 months) Current Quarter ended 31/12/2017 (RM'000)	(3 months) Preceding Quarter ended 30/9/2017 (RM'000)
Revenue	18,355	18,552
Loss before tax	(5,480)	(605)

For the current quarter ended 31 December 2017, the Group registered revenue of RM18.36 million, representing a marginal decrease of RM0.19 million or 1.0% as compared to the immediate preceding quarter.

During the current quarter, the Group has recorded a loss before tax of RM5.48 million as compared to a loss before tax of RM0.61 million in the immediate preceding quarter. The loss for the current quarter was mainly due to recognition of impairment loss as item 1 above.



## **Interim Report for the 12-months Financial Year Ended 31 December 2017**

### **3. Year 2018 Prospects**

The Group's current business environment faces internal and external challenges such as foreign currency fluctuation, consumer sentiment, intense competition and availability of alternative substitutes.

The Board acknowledges that the key for a better financial performance is to have an optimized production capacity and efficient utilization of all resources by way of organic growth or merger and acquisition.

In response to it, the Company had on 6 December 2017, entered into a heads of agreement with Hextar Holdings Sdn. Bhd. for proposed acquisition of four (4) ordinary shares of United States Dollar (USD) 0.10 each (equivalent to approximately RM0.41 each, based on an exchange rate of 4.0875) in Hextar Chemicals Limited ("HCL"), representing the entire equity interest ("Proposed Acquisition").

As Halex Group and HCL Group are involved in the same core business, the Proposed Acquisition is expected to achieve the following:-

- (i) to eliminate conflict of interests arising from the Interested Directors and Interested Major Shareholders' involvement in the agrochemical business through their interests in HCL Group;
- (ii) to eliminate business competition and allow Halex Group to expand its agrochemical business by tapping into HCL Group's customer/ supplier network in more than 30 countries worldwide;
- (iii) to allow Halex Group to benefit from economies of scale and operational synergies through, amongst others, optimisation of production processes and capacity as well as research and development, procurement and administrative functions; and
- (iv) to potentially provide value-added services to Halex's customers through a combined range of products and services.

The Board is of the view that, with the abovementioned strategies and merger with HCL Group, moving forward, the Group financial performance is expected to show a better 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.



**Interim Report for the 12-months Financial Year Ended 31 December 2017**

**5. Taxation**

The taxation figures are as follows:

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31/12/2017 RM/000	Preceding Year Quarter 31/12/2016 RM/000	Current Year to-Date 31/12/2017 RM/000	Preceding Year to-Date 31/12/2016 RM/000
Deferred tax	95	(603)	196	(314)
Income tax	(79)	(81)	(322)	(171)
Real profit gain tax	(749)	-	(749)	-
	<u>(733)</u>	<u>(684)</u>	<u>(875)</u>	<u>(485)</u>

Despite the overall loss for the current quarter and cumulative quarters reported by the Group, the Group has taken a prudent position by providing the tax for the profitable core business segment, Agriculture Supplies & Trading in respect of the current quarter and cumulative quarters.

**6. Status of Corporate Proposal**

The Company had On 6 December 2017, entered into a heads of agreement with Hextar Holdings Sdn. Bhd. for proposed acquisition of four (4) ordinary shares of United States Dollar (USD) 0.10 each (equivalent to approximately RM0.41 each, based on an exchange rate of 4.0875) in Hextar Chemicals Limited ("HCL"), representing the entire equity interest. The purchase consideration will be determined prior to the execution of the definitive agreement and will be based on the audited consolidated profit after taxation of HCL and its subsidiaries for the financial year ended 31 December 2017 multiplied by a price-to-earnings ("P/E") multiple of 13.75 times.

**7. Borrowings**

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

	As at 31/12/2017 RM'000	As at 31/12/2016 RM'000
<b>Short-term borrowings</b>		
Term loans	2,079	1,916
Finance lease payables	41	48
Bills payable	9,176	2,363
Bank overdraft	1,776	3,769
	<u>13,072</u>	<u>8,096</u>
<b>Long-term borrowings</b>		
Term loans	26,034	12,259
Finance lease payables	29	126
	<u>26,063</u>	<u>12,385</u>
Total	<u>39,135</u>	<u>20,481</u>

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





**Interim Report for the 12-months Financial Year Ended 31 December 2017**

**8. Material Litigation**

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

**9. 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 31/12/2017	Preceding Year Quarter 31/12/2016	Current Year to- Date 31/12/2017	Preceding Year to- Date 31/12/2016
Loss attributable to equity holders of the Company (RM'000)	<u>(6,213)</u>	<u>(21,156)</u>	<u>(12,403)</u>	<u>(21,952)</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>(5.86)</u>	<u>(19.96)</u>	<u>(11.70)</u>	<u>(20.71)</u>

(b) Diluted

The calculation of diluted loss per ordinary share is the same with basic loss per ordinary share as the Group has no dilutive potential ordinary shares.



**Interim Report for the 12-months Financial Year Ended 31 December 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 31.12.2017 (RM'000)	Preceding Year Quarter 31.12.2016 (RM'000)	Current Year To Date 31.12.2017 (RM'000)	Preceding Year To Date 31.12.2016 (RM'000)
Interest income	70	23	76	96
Other income including investment income	221	401	366	839
Interest expense	199	435	1,413	1,582
Depreciation and amortisation	473	623	2,313	2,486
Impairment of and write off of receivables	666	164	666	215
Impairment of and write off of inventories	995	568	995	568
Gain/ (Loss) on disposal of quoted or unquoted investments or properties	7,533	-	7,528	-
Impairment of assets	4,919	11,648	4,919	11,648
Plant and equipment written off	814	391	814	394
Goodwill written off	-	-	-	-
Foreign exchange gain/(loss)	8	(571)	215	(654)
Gain or loss on derivatives	-	-	-	-
Exceptional items	-	-	-	-

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

Lim Hooi Mooi  
Company Secretary  
Kuala Lumpur  
20 February 2018