



HALEX HOLDINGS BERHAD

(Company No. 206220-U)

(Incorporated in Malaysia under the Companies Act, 1965)

Interim Report For the 3-months Financial Period Ended 31 DECEMBER 2014



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

Interim Report for the 3-months Financial Period Ended 31 December 2014

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Note	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
		Current Year Quarter 31/12/2014 RM'000	Preceding Year Quarter 31/12/2013 RM'000	Current Year to-Date 31/12/2014 RM'000	Preceding Year to-Date 31/12/2013 RM'000
Revenue	9	28,023	22,804	28,023	22,804
Less: Cost of sales		(21,879)	(17,607)	(21,879)	(17,607)
Gross profit		6,144	5,197	6,144	5,197
Other income		66	172	66	172
Administration and other expenses		(2,636)	(2,400)	(2,636)	(2,400)
Selling and marketing expenses		(2,287)	(2,141)	(2,287)	(2,141)
Finance costs		(369)	(78)	(369)	(78)
Share of associated company profit/(loss)		(21)	-	(21)	-
Profit before taxation	9	897	750	897	750
Less: Taxation		(377)	(302)	(377)	(302)
Profit after taxation	9	520	448	520	448
Other comprehensive income		2	(3)	2	(3)
Other comprehensive income for the period		2	(3)	2	(3)
Total comprehensive income for the period		522	445	522	445
Attributable to :					
Equity holders of the Company		520	448	520	448
Earnings per share attributable to equity holders of the Company:					
Basic (sen)	B12	0.49	0.45	0.49	0.45
Diluted (sen)		n/a	n/a	n/a	n/a

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



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

Interim Report for the 3-months Financial Period Ended 31 December 2014

Unaudited Condensed Consolidated Statement of Financial Position

	Unaudited As At 31/12/2014 RM'000	Audited As At 30/09/2014 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	49,112	49,298
Investment in Associates	22,120	-
Investment in property	290	290
Investment in quoted shares	156	178
Other investments	26	26
Intangible assets	120	120
Development costs	546	566
Total non-current assets	<u>72,370</u>	<u>50,478</u>
Current assets		
Inventories	19,682	20,581
Trade receivables	16,208	13,082
Other receivables and deposits	12,509	12,590
Deposits with licensed banks	1,995	1,991
Prepaid tax	68	169
Cash and bank balances	8,385	25,592
Total current assets	<u>58,847</u>	<u>74,005</u>
TOTAL ASSETS	<u>131,217</u>	<u>124,483</u>
EQUITY AND LIABILITIES		
Capital and reserves		
Financed by:		
Share capital	53,000	53,000
Share premium	1,988	1,988
Treasury shares	(18)	(18)
Retained profits	40,734	40,212
Shareholders' equity	<u>95,704</u>	<u>95,182</u>
Non-current liabilities		
Term loans	12,473	12,994
Deferred taxation	409	409
Total non-current liabilities	<u>12,882</u>	<u>13,403</u>

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



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

Interim Report for the 3-months Financial Period Ended 31 December 2014

Unaudited Condensed Consolidated Statement of Financial Position (cont'd)

	Unaudited As At 31/12/2014 RM'000	Audited As At 30/09/2014 RM'000
Current Liabilities		
Trade payables	3,737	4,157
Other payables and accruals	5,162	3,723
Finance lease and hire purchase payables	218	232
Bills payable	9,862	4,116
Term loans	2,803	3,135
Provision for taxation	47	59
Bank overdraft	802	476
Total current liabilities	<u>22,631</u>	<u>15,898</u>
Total liabilities	<u>35,513</u>	<u>29,301</u>
TOTAL EQUITY AND LIABILITIES	<u>131,217</u>	<u>124,483</u>
No. of ordinary shares in issue ('000)	106,000	106,000
Par value (RM)	0.50	0.50
Net assets per share attributable to equity holders of the Company (RM)	0.90	0.90

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



Interim Report for the 3-months Financial Period Ended 31 December 2014

Unaudited Condensed Consolidated Cash Flow Statement

	3-months ended 31/12/2014 RM'000	3-months ended 31/12/2013 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	897	750
Adjustments for :		
Allowance/(Write back) for diminution in value of investment in quoted shares	49	(1)
Allowance for doubtful debts	(1)	-
Amortisation	20	20
Bad debts write off	2	-
Depreciation	398	375
Dividend received	(2)	(1)
Interest expenses	369	78
Interests income	(23)	(105)
Foreign exchange adjustment	-	(3)
Gain in investments	(27)	(22)
Share of Associated Company's loss	21	-
Operating profit before working capital changes	<u>1,703</u>	<u>1,091</u>
Inventories	899	447
Receivables	(10,045)	1,094
Payables	<u>1,373</u>	<u>(3,144)</u>
Cash generated from operations	<u>(6,070)</u>	<u>(512)</u>
Interest paid	(369)	(78)
Tax refund	-	208
Tax paid	(288)	(211)
Net cash used in operating activities	<u>(6,727)</u>	<u>(593)</u>
CASH FLOW FOR INVESTING ACTIVITIES		
Dividends received	2	1
Interest received	23	105
Investment in unquoted shares	(22,141)	-
Placement of deposits with licensed banks	(1)	(12)
Deposit for acquisition on unquoted shares	7,000	-
Purchase of property, plant and equipment	(213)	(126)
Net cash used in investing activities	<u>(15,330)</u>	<u>(32)</u>

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



Interim Report for the 3-months Financial Period Ended 31 December 2014

Unaudited Condensed Consolidated Cash Flow Statement (cont'd)

	3-months ended 31/12/2014 RM'000	3-months ended 31/12/2013 RM'000
CASH FLOW FOR FINANCING ACTIVITIES		
Proceeds from bank borrowings	5,391	-
Repayment of bank borrowings	(852)	(3,377)
Repayment of finance lease and hire purchase payables	(14)	(4)
Net cash from / (used) in financing activities	<u>4,525</u>	<u>(3,381)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,532)	(4,006)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	25,449	18,619
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>7,917</u>	<u>14,613</u>
CASH AND CASH EQUIVALENTS COMPRISE		
Deposit with licensed bank - not pledged	334	11,425
Cash and bank balances	8,385	3,188
Bank overdraft	(802)	-
	<u>7,917</u>	<u>14,613</u>

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



Interim Report for the 3-months Financial Period Ended 31 December 2014

Unaudited Condensed Consolidated Statement of Changes in Equity

	←----- Non-distributable ----->				Distributable			
	Share Capital RM'000	Revaluation Reserves RM'000	Share Premium RM'000	Exchange Reserves RM'000	Unappropriated Profits RM'000	Unappropriated Profits RM'000	Treasury Shares RM'000	Total RM'000
As at 01/10/2013	50,000	8,836	-	30	-	31,674	(17)	90,523
Issue of new shares	3,000	-	2,100	-	-	-	-	5,100
Share issuance expenses	-	-	(112)	-	-	-	-	(112)
Allowance for diminution in value of treasury shares written back	-	-	-	-	-	-	(1)	(1)
Profit after tax	-	-	-	-	-	2,172	-	2,172
Other comprehensive income for the year - Foreign currency translation	-	-	-	(1)	-	-	-	(1)
Profit after tax / Total comprehensive income for the year	-	-	-	(1)	-	2,172	-	2,171
Dividends	-	-	-	-	-	(2,499)	-	(2,499)
As at 30/9/2014	53,000	8,836	1,988	29	-	31,347	(18)	95,182
As at 01/10/2014	53,000	8,836	1,988	29	-	31,347	(18)	95,182
Profit after tax	-	-	-	-	-	520	-	520
Other comprehensive income for the year - Foreign currency translation	-	-	-	2	-	-	-	2
Profit after tax / Total comprehensive income for the year	-	-	-	2	-	520	-	522
As at 31/12/2014	53,000	8,836	1,988	31	-	31,867	(18)	95,704

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



Interim Report for the 3-months Financial Period Ended 31 December 2014

A. EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134, INTERIM FINANCIAL REPORTING

1. Basis of Preparation

This interim financial report is unaudited and has been prepared in accordance with MFRS 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

This unaudited interim financial report should be read in conjunction with the annual audited financial statements of the Group for the financial year ended 30 September 2014. For the periods up to and including the year ended 30 September 2014, the Group prepared its financial statements in accordance with the Malaysian Financial Reporting Standards (“MFRS”).

The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the change in the financial position and performance of Halex Holdings Berhad (“Halex” or the “Company”) and its subsidiaries (the “Group”) since the financial year ended 30 September 2014.

2. Significant Accounting Policies

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

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

Effective for financial periods beginning on or after 1 January 2016

MFRS 5	Amendment to MFRS 5 (Annual Improvements to MFRSs 2012-2014 Cycle)
MFRS 7	Amendment to MFRS 7 (Annual Improvements to MFRSs 2012-2014 Cycle)
MFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)
MRFS 10	Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10, MFRS 12 and MFRS 128)
MFRS 11	Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)
MFRS 12	Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10, MFRS 12 and MFRS 128)
MFRS 14	Regulatory Deferral Accounts
MFRS 101	Disclosure Initiative (Amendments to MFRS 101)



Interim Report for the 3-months Financial Period Ended 31 December 2014

MFRS 116	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138)
MFRS 116	Agriculture : Bearer Plants (Amendments to MFRS 116 and MFRS 141)
MFRS 119	Amendments to MFRS 119 (Annual Improvements to MFRSs 2012-2014 Cycle)
MFRS 127	Equity Method in Separate Financial Statements (Amendments to MFRS 127)
MFRS 128	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)
MFRS 128	Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10, MFRS 12 and MFRS 128)
MFRS 134	Amendments to MFRS 134 (Annual Improvements to MFRSs 2012-2014 Cycle)
MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138)
MFRS 141	Agriculture : Bearer Plants (Amendments to MFRS 116 and MFRS 141)

Effective for financial periods beginning on or after 1 January 2017

MFRS 15	Revenue from Contracts with Customers
---------	---------------------------------------

Effective for financial periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
--------	---

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

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report for the Company's preceding annual audited financial statements for the financial year ended 30 September 2014 were not subject to any qualification.

4. Seasonal or Cyclical Factors

The Group's agrochemical and horticulture businesses are sensitive to prolonged extreme weather conditions.



Interim Report for the 3-months Financial Period Ended 31 December 2014

5. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter under review and financial year to-date.

6. Material Changes in Estimates

There were no material changes in estimates of amount reported that have a material effect on the current quarter under review and financial year to-date.

7. Details of Changes in Debts and Equity Securities

Except for the repurchase of 27,500 ordinary shares of RM0.50 each of the Company's issued share capital from the open market for a total consideration of RM17,997 at the average price of RM0.65 per share retained as treasury shares, there were no issuance, cancellation, repurchase, resale or repayment of debt and/or equity securities, other share buy-backs, share cancellations, other shares held as treasury shares and resale of treasury shares for 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

	3-months ended 31 December 2014					
	Investment holding RM'000	Agro-chemical RM'000	Healthcare Disposables RM'000	Horticulture and Agro- biotechnologies RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External sales	-	17,325	9,729	969	-	28,023
Dividend income	-	-	-	-	-	-
Inter-segment sales	-	2,437	5	-	(2,442)	-
Total	-	19,762	9,734	969	(2,442)	28,023
Results						
Segment results	(142)	1,591	(18)	(188)	-	1,243
Finance costs	(220)	(43)	(48)	(58)	-	(369)
Finance income	1	18	3	1	-	23
Profit/(Loss) before taxation	(361)	1,566	(63)	(245)	-	897
Taxation						(377)
Profit after taxation						520
Attributable to equity holders of the Company						520



Interim Report for the 3-months Financial Period Ended 31 December 2014

Geographical Segments for Revenue

	Current Year Quarter 31/12/2014 RM'000	Preceding Year Quarter 31/12/2013 RM'000
Local	22,831	17,139
Export	5,192	5,665
Total	<u>28,023</u>	<u>22,804</u>

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 30 September 2014.

11. Changes in the Composition of the Group

On 17 October 2014, Halex Realty Sdn Bhd ("Halex Realty") completed the acquisition of 1,250,000 shares of RM1.00 each of Kensington Development Sdn Bhd ("KDSB"), representing 25% of the issued and paid up share capital of KDSB, thereby KDSB becomes an associated company of Halex Realty, and of the Group.

12. Contingent Liabilities

The contingent liabilities since the last annual balance sheet as at 30 September 2014 is as follows:

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

13. Capital Commitments

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



Interim Report for the 3-months Financial Period Ended 31 December 2014

14. Material Events Subsequent to the End of the Interim Reporting Period

a. Halex Realty Sdn Bhd (“HRSB”) proposed acquisition of 50% of the issued and paid up capital of Kensington Development Sdn Bhd (“KDSB”) (“Proposed Acquisition”)

The Group had on 1 October 2014 accepted a conditional offer made by Bestempire Limited (“Bestempire”) (“Conditional Offer”) for HRSB, a wholly owned subsidiary of Halex, to acquire an additional 2,500,000 ordinary shares of RM1.00 each, representing an additional 50% equity interest in KDSB (“KDSB Shares”) from Bestempire for an indicative offer price of RM32,000,000 (“Offer Price”) to be settled by cash (“Proposed Acquisition”).

Upon completion of the acquisition of the Sales Shares, the shareholdings of HRSB in KDSB will increase from 25% to 75%. As a result, KDSB will convert from being an associate company of HRSB to become its subsidiary company and the financial results of KDSB will be consolidated into the financial statements of Halex for the subsequent financial year.

The salient terms of the Conditional Offer are:

1. The Offer Price shall be payable in the following manner:-

- (a) a refundable earnest deposit sum of RM3,200,000 (“Earnest Deposit”) shall be payable to Bestempire upon acceptance of the Offer, which shall be treated as part payment of the Offer Price upon execution of the Share Purchase Agreement (“SPA”). In the event the Offer Condition (*as set out below*) is not fulfilled, the Earnest Deposit will be immediately refunded by Bestempire free of interest to HRSB which in any event should not be later than seven (7) days from the date of HRSB’s written notification to Bestempire, failing which Bestempire shall be liable to pay the interest at the rate of eight per centum (8%) per annum on such monies calculated on daily basis commencing from the date after the expiry of the aforesaid time limit to the day of receipt of the said monies by HRSB; and
- (b) the balance of the Offer Price shall be payable within three (3) months from the unconditional date of the SPA, or by 31 May 2015, whichever is earlier (“Completion Date”).

2. Pursuant to the Conditional Offer, HRSB is given a period of four (4) months from the date of acceptance of the Conditional Offer:

- (a) To conduct a legal and financial due diligence review on the affairs of KDSB and being reasonably satisfied with the due diligence findings and the valuation of KDSB thereof (“Offer Condition”); and
- (b) To renegotiate the Offer Price or abort the transaction and seek a full refund of the Earnest Deposit if the due diligence conducted by HRSB revealing material discrepancies or deviations between the Offer Price and the fair valuation of KDSB by the independent valuer, or is unsatisfactory in a material aspect, and not remedied by Bestempire within a period of fourteen (14) days from the date of the written notification to Bestempire.



Interim Report for the 3-months Financial Period Ended 31 December 2014

3. The SPA is subject to the following conditions precedent:

- (a) the approval of the shareholders of Halex, for the acquisition of the Sale Shares, as well as for the diversification of the business carried out by Halex and its group of companies, to be obtained in an extraordinary general meeting to be convened;
- (b) approval or consent to be obtained from the financiers of KDSB, if necessary; and
- (c) all other relevant approval or consent to be obtained from the relevant authority, where applicable.

4. A formal SPA will be finalised and executed upon the satisfaction of the Offer Condition within four (4) months from the date of the acceptance of the Offer.

The Board had on 30 January 2015 announced that HRSB had sought and obtained consent from Bestempire to extend the offer period of the Conditional Offer for the Proposed Acquisition for a further period of approximately one and a half (1½) months until Friday, 20 March 2015 to finalise its due diligence review.

b. Halex Holdings Bhd (“HHB”) acquisition of a new wholly-owned subsidiary Halex International Sdn Bhd (“HISB”)

The Company had on 28 January 2015 acquired 2 ordinary shares of RM1.00 each, representing 100% of the issued and paid up capital of Halex International Sdn Bhd (“HISB”) for a total consideration of RM2.00 from Lim Pang Yan and Chen Sen Loon.

HISB was incorporated on 1 December 2014 in Malaysia as a private limited company under the Companies Act, 1965 with an authorized capital of RM400,000 comprising 400,000 ordinary shares of RM1.00 each. HISB’s current paid up capital is RM2.00. HISB was incorporated with the intended principal activity of general trading, and it is currently dormant.

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

	Group	
	As At 31/12/2014 RM'000	As At 30/09/2014 RM'000
Retained earnings of the Company and its subsidiaries:		
- Realised profit	32,057	31,647
- Unrealised losses	(386)	(458)
	31,671	31,189
Less : Consolidation adjustments	196	158
	31,867	31,347



Interim Report for the 3-months Financial Period Ended 31 December 2014

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

1. Review of Performance of the Group

	Current year Quarter ended 31 Dec 2014 (RM'000)	Preceding year Quarter ended 31 Dec 2013 (RM'000)
Revenue	28,023	22,804
Gross profits	6,144	5,197
Profit before tax	897	750

For the quarter ended 31 December 2014, the Group registered revenue of approximately RM28.02 million, representing an increase of 22.88% compared to the preceding year quarter. Profit before tax ("PBT") increased from approximately RM0.45 million to RM0.52 million, ie. an increase of 16.26%.

The Group's agrochemical product sales increased by 47.54%, due to higher sales of certain herbicides in anticipation of additional conditions imposed on end-users by the Pesticides Board of Malaysia for these herbicides. Healthcare disposable products sales declined slightly by 1.31% on lower tissue sales. Horticulture product sales decreased by 19.58% due to lower foliage exports and further unfavourable exchange rate movements.

Gross profits improved by approximately RM0.95 million or 18.22% against the preceding year quarter due to the higher sales. Agrochemicals products gross profits increased due to the higher sales, while healthcare disposable product margins improved due to lower raw materials prices and favourable contract terms. Horticulture products margins were lower due to unfavourable exchange rate fluctuations.

Profit before tax showed an increase of approximately RM0.15 million or 19.69% due mainly to the higher sales. Finance costs increased due to the term loan obtained to finance the acquisition of KDSB.

2. Comparisons with the Immediate Preceding Quarter's Results

	Current Quarter ended 31 Dec 2014 (RM'000)	Preceding Quarter ended 30 Sep 2014 (RM'000)
Revenue	28,023	23,187
Profit before tax	897	575

For the current quarter under review, the Group recorded a 20.86% increase in revenue of approximately RM4.84 million compared to the immediate preceding quarter, due mainly to the 30.64% increase in sales for the Group's agrochemicals, and higher healthcare disposable products sales.

Profit before tax improved from approximately RM0.58 million to RM0.90 million due mainly to the increase in sales and margins from agrochemicals. Other operational costs also increased resulting from additional finance cost of a term loan for the acquisition of Kensington Development Sdn Bhd.



Interim Report for the 3-months Financial Period Ended 31 December 2014

3. Year 2015 Prospects

Due to the implementation of the Goods and Services Tax ("GST"), end-users adjusting to the additional conditions imposed by the Pesticides Board of Malaysia on certain herbicides, and a weaker outlook on commodities prices and the Ringgit Malaysia, the Board expects consumer sentiment will be dampened. The Board therefore expects the current financial year to be a challenging year.

4. Profit Forecast and Profit Guarantee

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

5. Taxation

The taxation figures are as follows:

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2014 RM'000	Preceding Year Quarter 31/12/2013 RM'000	Current Year to-Date 31/12/2014 RM'000	Preceding Year to-Date 31/12/2013 RM'000
Current taxation	377	302	377	302

The effective tax rate of the Group for the current quarter under review is higher than the statutory tax rate of 25% as two of the main subsidiaries incurred losses during the financial 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.

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 31/12/2014 RM'000	As At 30/09/2014 RM'000
At cost	129	129
Less: Accumulated impairment losses	-	-
Unrealised gain on investments	27	49
	156	178
At market value	156	178



Interim Report for the 3-months Financial Period Ended 31 December 2014

8. Status of Corporate Proposal

a. Halex Realty Sdn Bhd (“HRSB”) proposed acquisition of 25% of the issued and paid up capital of Kensington Development Sdn Bhd (“KDSB”) (“Proposed Acquisition 1”) :

The Group had on 18 April 2014, through its wholly owned subsidiary, HRSB entered into a Heads of Agreement with Bestempire Limited (“Bestempire”) for the proposed acquisition of 1,250,000 ordinary shares of RM1.00 each in KDSB constituting 25% of the issued and paid up share capital of KDSB. Subsequently on 25 April 2014, HRSB entered into a Conditional Share Acquisition Agreement (“SAA”) with Bestempire for the Proposed Acquisition 1, for a total cash consideration of RM22.0 million.

The Company has paid a 10% deposit sum on 8 May 2014 and awaiting completion of the due diligence and financing facilities with financial institutions before the completion date.

The Group announced on 24 July 2014 that the Share Acquisition Agreement had become unconditional on that same day, and that Bestempire and HRSB have mutually agreed to have forty five (45) days from that date to complete the Proposed Acquisition 1.

As announced to Bursa Malaysia Securities Berhad on 1 October 2014, full settlement for the investment was made, and share transfers were executed on 17 October 2014.

b. Halex Realty Sdn Bhd (“HRSB”) proposed acquisition of an additional 50% equity interest in Kensington Development Sdn Bhd (“KDSB”) (“Proposed Acquisition 2”)

The Group had on 1 October 2014 accepted a conditional offer made by Bestempire Limited (“Bestempire”) (“Conditional Offer”) for HRSB, a wholly owned subsidiary of Halex, to acquire an additional 2,500,000 ordinary shares of RM1.00 each, representing an additional 50% equity interest in KDSB (“KDSB Shares”) from Bestempire for an indicative offer price of RM32,000,000 (“Offer Price”) to be settled by cash (“Proposed Acquisition 2”).

Upon completion of the acquisition of the Sales Shares, the shareholdings of HRSB in KDSB will increase from 25% to 75%. As a result, KDSB will convert from being an associate company of HRSB to become its subsidiary company and the financial results of KDSB will be consolidated into the financial statements of Halex for the subsequent financial year.

The salient terms of the Conditional Offer are:

1. The Offer Price shall be payable in the following manner:-

- (a) a refundable earnest deposit sum of RM3,200,000 (“Earnest Deposit”) shall be payable to Bestempire upon acceptance of the Offer, which shall be treated as part payment of the Offer Price upon execution of the Share Purchase Agreement (“SPA”). In the event the Offer Condition (*as set out below*) is not fulfilled, the Earnest Deposit will be immediately refunded by Bestempire free of interest to HRSB which in any event should not be later than seven (7) days from the date of HRSB’s written notification to Bestempire, failing which Bestempire shall be liable to pay the interest at the rate of eight per centum (8%) per annum on such monies calculated on daily basis commencing from the date after the expiry of the aforesaid time limit to the day of receipt of the said monies by HRSB; and
- (b) the balance of the Offer Price shall be payable within three (3) months from the unconditional date of the SPA, or by 31 May 2015, whichever is earlier (“Completion Date”).



Interim Report for the 3-months Financial Period Ended 31 December 2014

2. Pursuant to the Conditional Offer, HRSB is given a period of four (4) months from the date of acceptance of the Conditional Offer:
 - (a) To conduct a legal and financial due diligence review on the affairs of KDSB and being reasonably satisfied with the due diligence findings and the valuation of KDSB thereof (“Offer Condition”); and
 - (b) To renegotiate the Offer Price or abort the transaction and seek a full refund of the Earnest Deposit if the due diligence conducted by HRSB revealing material discrepancies or deviations between the Offer Price and the fair valuation of KDSB by the independent valuer, or is unsatisfactory in a material aspect, and not remedied by Bestempire within a period of fourteen (14) days from the date of the written notification to Bestempire.

3. The SPA is subject to the following conditions precedents:
 - (a) the approval of the shareholders of Halex, for the acquisition of the Sale Shares, as well as for the diversification of the business carried out by Halex and its group of companies, to be obtained in an extraordinary general meeting to be convened;
 - (b) approval or consent to be obtained from the financiers of KDSB, if necessary; and
 - (c) all other relevant approval or consent to be obtained from the relevant authority, where applicable.

4. A formal SPA will be finalised and executed upon the satisfaction of the Offer Condition within four (4) months from the date of the acceptance of the Offer.

The Board had on 30 January 2015 announced that HRSB had sought and obtained consent from Bestempire to extend the offer period of the Conditional Offer for the Proposed Acquisition for a further period of approximately one and a half (1½) months until Friday, 20 March 2015 to finalise its due diligence review.



Interim Report for the 3-months Financial Period Ended 31 December 2014

9. Borrowings

The Group's borrowings as at 31 December 2014 are as follows:

	Secured RM'000
Short-term borrowings	
Bankers acceptances	9,862
Hire purchase	218
Term loans	2,803
	<u>12,883</u>
Long-term borrowings	
Term loans	12,473
Total	<u>25,356</u>

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

The Group does not have any debt securities as at the date of this interim report.

10. Litigation

Johor Bahru Sessions Court

Summons No : A52NCC-448-12/2013
Plaintiff : Loscam (Malaysia) Sdn Bhd
Defendant : Halex Woolton (M) Sdn Bhd

Johor Bahru High Court

Civil Appeal No : 12ANCC-5-08/2014
Plaintiff/Appellant : Loscam (Malaysia) Sdn Bhd
Defendant/Respondent : Halex Woolton (M) Sdn Bhd

In December 2012, Halex Woolton (M) Sdn Bhd ("Halex Woolton") was served with a Shah Alam Session Court Writ of Summons and Statement of Claim by Loscam (Malaysia) Sdn Bhd for claims of overdue outstanding amount of RM89,387 for the rental of pallets as at 31 January 2012.

In 18 February 2013, Halex Woolton in its Statement of Defence had counter claimed the same supplier, Loscam (Malaysia) Sdn Bhd for overcharging of rental fee amounting to RM204,890 for the years from 2007 to 2010.

The hearing for the case was completed on 26 May 2014 and the Sessions Court's decision passed on 11 Aug 2014, was that both plaintiff's and defendant's claims were dismissed with no order as to costs.

Both parties have filed an appeal on 25 Aug 2014, and hearing for the appeals have been postponed until 16 March 2015.



Interim Report for the 3-months Financial Period Ended 31 December 2014

11. Earnings Per Share

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company for the period by the weighted average number of ordinary shares in issue during the financial period under review.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2014	Preceding Year Quarter 31/12/2013	Current Year to-Date 31/12/2014	Preceding Year to-Date 31/12/2013
Profit attributable to equity holders of the Company (RM'000)	520	448	520	448
Weighted average number of ordinary shares in issue ('000)	106,000	100,000	106,000	100,000
Basic earnings per share (sen)	0.49	0.45	0.49	0.45

(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.

By Order of the Board,

Laang Jhe How
Company Secretary
Kuala Lumpur
27 February 2015