



HALEX GROUP

HALEX HOLDINGS BERHAD

(Company No. 206220-U)

(Incorporated in Malaysia under the Companies Act, 1965)

**Interim Report
For the 6-months Financial Period Ended
31 MARCH 2015**



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

Interim Report for the 6-months Financial Period Ended 31 March 2015

Unaudited Condensed Consolidated Statement of Comprehensive Income

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>		
	Current Year Quarter 31/03/2015 RM'000	Preceding Year Quarter 31/03/2014 RM'000	Current Year to-Date 31/03/2015 RM'000	Preceding Year to-Date 31/03/2014 RM'000	
Revenue	31,244	22,981	59,266	45,786	
Less: Cost of sales	(24,727)	(17,495)	(46,604)	(35,102)	
Gross profit	<u>6,517</u>	<u>5,486</u>	<u>12,662</u>	<u>10,684</u>	
Other income	332	205	398	377	
Administration and other expenses	(2,674)	(2,712)	(5,310)	(5,112)	
Selling and marketing expenses	(2,687)	(2,350)	(4,974)	(4,491)	
Finance costs	(291)	(106)	(660)	(185)	
Share of results of associated company	(18)	-	(39)	-	
Profit before taxation	<u>1,179</u>	<u>523</u>	<u>2,077</u>	<u>1,273</u>	
Less: Taxation	(407)	(139)	(785)	(442)	
Profit after taxation	<u><u>772</u></u>	<u><u>384</u></u>	<u><u>1,292</u></u>	<u><u>831</u></u>	
Other comprehensive income					
Foreign currency translation	31	-	33	-	
Other comprehensive income for the period	<u>31</u>	<u>-</u>	<u>33</u>	<u>-</u>	
Total comprehensive income for the period	<u><u>803</u></u>	<u><u>384</u></u>	<u><u>1,325</u></u>	<u><u>831</u></u>	
Profits attributable to :					
Equity holders of the Company	<u><u>772</u></u>	<u><u>384</u></u>	<u><u>1,292</u></u>	<u><u>831</u></u>	
Total Comprehensive income attributable to :					
Equity holders of the Company	<u><u>803</u></u>	<u><u>384</u></u>	<u><u>1,325</u></u>	<u><u>831</u></u>	
Earnings per share attributable to equity holders of the Company:					
Basic (sen)	B11	0.73	0.38	1.22	0.83
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 6-months Financial Period Ended 31 March 2015

Unaudited Condensed Consolidated Statement of Financial Position

	Unaudited As At 31/03/2015 RM'000	Audited As At 30/09/2014 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	48,802	49,298
Investment in associated company	22,236	-
Investment in property	290	290
Investment in quoted shares	163	178
Other investments	26	26
Intangible assets	120	120
Development costs	526	566
Total non-current assets	72,163	50,478
Current assets		
Inventories	19,554	20,581
Trade receivables	20,473	13,082
Other receivables and deposits	5,680	12,590
Deposits with licensed banks	2,009	1,991
Tax recoverable	91	169
Cash and bank balances	8,729	25,592
Total current assets	56,536	74,005
TOTAL ASSETS	128,699	124,483
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	8,836	8,836
Exchange reserves	62	29
Retained profits	32,639	31,347
Shareholders' equity	96,507	95,182
Non-current liabilities		
Finance lease and hire purchase payables	147	180
Term loans	11,855	12,994
Deferred taxation	409	409
Total non-current liabilities	12,411	13,583

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)
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Interim Report for the 6-months Financial Period Ended 31 March 2015

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

	Unaudited As At 31/03/2015 RM'000	Audited As At 30/09/2014 RM'000
Current Liabilities		
Trade payables	5,905	4,157
Other payables and accruals	3,880	3,723
Finance lease and hire purchase payables	57	52
Bills payable	5,784	4,116
Term loans	2,599	3,135
Tax payable	195	59
Bank overdraft	1,361	476
Total current liabilities	19,781	15,718
Total liabilities	32,192	29,301
TOTAL EQUITY AND LIABILITIES	128,699	124,483
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)	0.91	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 6-months Financial Period Ended 31 March 2015

Unaudited Condensed Consolidated Cash Flow Statement

	6-months ended 31/03/2015 RM'000	6-months ended 31/03/2014 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	2,077	1,273
Adjustments for :		
Allowance/(Write back) for diminution in value of investment in quoted shares	49	(1)
Allowance for doubtful debts written back	(1)	(53)
Amortisation	40	40
Bad debts write off	2	-
Depreciation	798	756
Dividend received	(2)	(1)
Interest expenses	726	179
Interests income	(44)	(189)
Foreign exchange adjustment	31	(2)
Gain in investments	(34)	(44)
Share of results of associated company	39	-
Operating profit before working capital changes	<u>3,681</u>	<u>1,958</u>
Inventories	1,026	1,660
Receivables	(7,481)	267
Payables	<u>3,565</u>	<u>(4,631)</u>
Cash generated from operations	<u>791</u>	<u>(746)</u>
Interest paid	(726)	(179)
Tax refund	-	208
Tax paid	<u>(571)</u>	<u>(777)</u>
Net cash used in operating activities	<u>(506)</u>	<u>(1,494)</u>
CASH FLOW FOR INVESTING ACTIVITIES		
Dividends received	2	1
Interest received	44	189
Investment in associated company	(22,275)	-
Placement of deposits with licensed banks	(12)	(12)
Deposit for acquisition on unquoted shares	7,000	-
Purchase of property, plant and equipment	(303)	(383)
Net cash used in investing activities	<u>(15,544)</u>	<u>(205)</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 6-months Financial Period Ended 31 March 2015

Unaudited Condensed Consolidated Cash Flow Statement (cont'd)

	6-months ended 31/03/2015 RM'000	6-months ended 31/03/2014 RM'000
CASH FLOW FOR FINANCING ACTIVITIES		
Proceeds from bank borrowings	10	-
Repayment of bank borrowings	(1,674)	(1,119)
Repayment of finance lease and hire purchase payables	(28)	(9)
Net cash used in financing activities	<u>(1,692)</u>	<u>(1,128)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,742)	(2,827)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	25,447	18,619
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>7,705</u>	<u>15,792</u>
CASH AND CASH EQUIVALENTS COMPRISE		
Deposit with licensed bank - not pledged	337	11,500
Cash and bank balances	8,729	4,428
Bank overdraft	(1,361)	(136)
	<u>7,705</u>	<u>15,792</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.



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HALEX GROUP

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Unaudited Condensed Consolidated Statement of Changes in Equity

	<----- Non-distributable ----->						
	Share Capital RM'000	Revaluation Reserves RM'000	Share Premium RM'000	Exchange Reserves RM'000	Retained 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	-	-	-	-	1,292	-	1,292
Other comprehensive income for the year - Foreign currency translation	-	-	-	33	-	-	33
Profit after tax / Total comprehensive income for the year	-	-	-	33	1,292	-	1,325
As at 31/03/2015	53,000	8,836	1,988	62	32,639	(18)	96,507

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 6-months Financial Period Ended 31 March 2015

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

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture : Bearer Plants
Annual Improvements to MFRSs 2012-2014 Cycle	

Effective for financial periods beginning on or after 1 January 2017

MFRS 15	Revenue from Contracts with Customers
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Interim Report for the 6-months Financial Period Ended 31 March 2015

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.

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

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

	6-months ended 31 March 2015					
	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	-	30,107	19,431	9,728	-	59,266
Inter-segment sales	-	5,282	19	15	(5,316)	-
Total	-	35,389	19,450	9,743	(5,316)	59,266
Results						
Segment results	(326)	2,735	(275)	559	-	2,693
Finance costs	(424)	(76)	(102)	(58)	-	(660)
Finance income	1	36	5	2	-	44
Profit/(Loss) before taxation	(749)	2,695	(372)	503	-	2,077
Taxation						(785)
Profit after taxation						1,292

Geographical Segments for Revenue

	Current Year Quarter 31/03/2015 RM'000	Preceding Year Quarter 31/03/2014 RM'000
Local	26,583	18,286
Export	4,661	4,695
Total	31,244	22,981

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. Detailed information has been disclosed in Note B.8.a..



Interim Report for the 6-months Financial Period Ended 31 March 2015

- b. The Company had also 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.

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.

12. Contingent Liabilities

The contingent liabilities are as follows:

	Company	
	As At 31/03/2015 RM'000	As At 30/09/2014 RM'000
Guarantees given to financial institutions for facilities granted to subsidiaries	44,873	44,873

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 are no material events subsequent to the end of the current quarter except for those disclosed under Note **B.8.b., c. and d.** below.

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

	Group	
	As At 31/03/2015 RM'000	As At 30/09/2014 RM'000
Retained earnings of the Company and its subsidiaries:		
- Realised profit	32,829	31,647
- Unrealised losses	(386)	(458)
	32,443	31,189
Less : Consolidation adjustments	196	158
Total retained profits	32,639	31,347



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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 Mar 2015 (RM'000)	Preceding year Quarter ended 31 Mar 2014 (RM'000)
Revenue	31,244	22,981
Gross profits	6,517	5,486
Profit before tax	1,179	523

For the quarter ended 31 March 2015, the Group registered revenue of approximately RM31.24 million, representing an increase of 35.95% compared to the preceding year quarter. Profit before tax ("PBT") increased from approximately RM0.52 million to RM1.18 million, which is an increase of 125.4%.

The Group's agrochemical product sales increased by 4.88%, due to higher sales of insecticides and fungicides. Healthcare disposable product sales improved by 3.10% due to higher tissue sales. Horticulture division sales increased mainly due to the completion of a landscape project which contributed 23.70% of the Group's sales.

Gross profits improved by approximately RM1.03 million or 18.78% against the preceding year quarter due to higher gross profits from Agrochemicals products, and also from Horticulture products due to an opportunity arising from a landscape project.

Profit before tax improved to approximately RM1.18 million due to the higher sales.

2. Comparisons with the Immediate Preceding Quarter's Results

	Current Quarter ended 31 Mar 2015 (RM'000)	Preceding Quarter ended 31 Dec 2014 (RM'000)
Revenue	31,244	28,023
Profit before tax	1,179	897

For the current quarter under review, the Group recorded an 11.49% increase in revenue of approximately RM3.22 million compared to the immediate preceding quarter, due mainly to the completion of the landscape project by the Horticulture division.

Profit before tax increased from approximately RM0.90 million to RM1.18 million due mainly to the improved sales.



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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, the Board expects consumer sentiment to remain cautious. However with commodities prices and exchange rates stabilizing, the Board expects to return reasonably positive results for the current financial year, together with marketing efforts made into untapped markets.

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 31/03/2015 RM'000	Preceding Year Quarter 31/03/2014 RM'000	Current Year to-Date 31/03/2015 RM'000	Preceding Year to-Date 31/03/2014 RM'000
Income tax expense	407	139	785	442

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

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 31/03/2015 RM'000	As At 30/09/2014 RM'000
At cost	129	129
Less: Accumulated impairment losses	-	-
Unrealised gain on investments	34	49
	<u>163</u>	<u>178</u>
At market value	<u>163</u>	<u>178</u>



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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 (“Bursa Securities”) on 1 October 2014, full settlement for the investment was made, and share transfers were executed on 17 October 2014.

b. 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 (“KDSB Shares”) from Bestempire Limited via Cash (“Proposed Acquisition 2”)

The Group had on 1 October 2014 accepted a conditional offer made by Bestempire Limited (“Bestempire”) for HRSB to acquire an additional 2,500,000 ordinary shares of RM1.00 each, representing an additional 50% equity interest in KDSB from Bestempire for an indicative offer price of RM32,000,000 (“Offer Price”) to be settled by cash. Subsequently, on 30 January 2015 the Board announced that it had requested and obtained consent from Bestempire for an extension of the offer period of the Conditional Offer until 20 March 2015 to finalise its due diligence review.

Further thereto, the Board announced that HRSB had on 20 March 2015 entered into a conditional share acquisition agreement (“SAA”) with Bestempire to acquire the remaining 75% equity interest in KDSB comprising 3,750,000 KDSB Shares for a cash consideration of RM21,000,000.

In conjunction with the Proposed Acquisition 2, HRSB will undertake to settle the outstanding shareholder’s loan advanced by Bestempire to KDSB which, at the date of the SAA, is RM3,692,333.87 and will not, at the completion of the SAA, exceed RM3,692,333.87.

Upon completion of the acquisition of the KDSB Shares, the shareholdings of HRSB in KDSB will increase from 25% to 100%. KDSB will convert from being an associate company of HRSB to become its wholly owned subsidiary company.

In conjunction with the Proposed Acquisition 2, the Board proposes to diversify the existing core business to include property development.



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The completion of the SAA is conditional upon the following conditions being satisfied within a period of four (4) months from the date of the SAA or within such further period as may be mutually agreed upon by the parties in writing, namely:

- (i) 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;
- (ii) the approval or consent of any third party to the sale and purchase of the Sale Shares (if required) in accordance with the terms of any contract or agreement of a material nature entered into between KDSB and such third party;
- (iii) the approval or consent of any financier (if required) in accordance with the terms of any banking or financing facilities granted to KDSB; and
- (iv) the approval or waiver of any regulatory requirement by any other relevant authorities, if required.

c. Proposed Diversification of the existing core business of Halex to include property development (“Proposed Diversification”)

The Proposed Acquisition 2, as disclosed in 8.(b.) above, is expected to result in a diversion of more than 25% of the net assets of the Group. Thus, the Board proposes to seek shareholders’ approval for the proposed diversification of the existing core business of the Group to include property development business pursuant to Paragraph 10.13 of the Main Market Listing Requirements of Bursa Securities.

The Proposed Diversification is intended to be part of a long term plan to move the Group forward by expanding the Group’s income stream and further strengthening the Group’s financial position.

The Proposed Acquisition 2 and Proposed Diversification (“Proposals 1”) are subject to the following approvals being obtained :

- a) The shareholders of Halex at an Extraordinary General Meeting to be convened; and
- b) Any other relevant authorities, if required.

The Proposals 1 are inter-conditional. Unless otherwise disclosed, the Proposals 1 are not conditional upon any corporate proposal undertaken or to be undertaken by the Company.

The applications to the relevant authorities in relation to the Proposed Acquisition 2 are expected to be made within two (2) months from the date of the SAA date.

The Company has sought an extension of time up to 24 June 2015 from Bursa Securities for submission of certain documents.



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d. New Issue of Securities (Chapter 6 of Listing Requirements) : Combination of New Issue of Securities in Halex

- (I) Proposed Rights Issue with Warrants**
 - (II) Proposed Establishment and Implementation of an Employees' Share Scheme**
 - (III) Proposed Increase in Authorised Share Capital; and**
 - (IV) Proposed Amendment to the Memorandum of Association of Halex**
- (Collectively the "Proposals 2")**

The Board had on 21 April 2015 announced that the Company proposes to undertake the following:

- (i) A renounceable rights issue of new ordinary shares of RM0.50 each ("Rights Shares") together with free detachable warrants ("Warrants");
- (ii) An establishment and implementation of an employees' share scheme 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 scheme for the eligible employees and executive directors of the Company and its non-dormant subsidiary companies ("Proposed ESS");
- (iii) An increase in the authorised share capital of the Company from RM100,000,000 comprising 200,000,000 Shares to RM500,000,000 comprising 1,000,000,000 Halex Shares ("Proposed Increase in Authorised Share Capital"); and
- (iv) An amendment to the Memorandum and Articles of Association of the Company ("Proposed Amendment").

The proposal to undertake a renounceable rights issue is to raise gross proceeds of up to RM40 million.

The entitlement basis for the Proposed Rights Issue with Warrants, the issue price for the Rights Shares and the exercise price for the free Warrants have not been fixed at this juncture to provide flexibility to the Board in respect of the pricing of the Rights Shares and Warrants as well as the number of Right Shares and Warrants to be issued.

The Proposals 2 are subject to the following approvals being obtained:

- (i) the admission of the Warrants to the official list of Bursa Securities;
- (ii) the listing of and quotation for the Rights Shares, Warrants and the new Shares to be issued arising from the exercise of the Warrants as well as the new Shares to be issued pursuant to the Proposed ESS on the Main Market of Bursa Securities;
- (iii) the shareholders of the Company at an extraordinary general meeting of the Company to be convened for the Proposals;
- (iv) Bursa Depository for the transfer of the Scheme Shares from the Trustee to the Scheme Participants pursuant to the Proposed ESS at any point in time during the duration of the Scheme, if required; and
- (v) any other relevant authorities or parties, if required.

The Proposed Rights Issue with Warrants and Proposed ESS are not inter-conditional. The Proposed Increase in Authorised Share Capital and Proposed Amendment are conditional upon approval obtained on the Proposed Rights Issue with Warrants and/or Proposed ESS.



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Save for the above, the Proposals 2 are not conditional upon any other corporate exercise being or proposed to be undertaken by the Company.

Barring any unforeseen circumstances, the applications to the relevant authorities in relation to the Proposals 2 are expected to be made within a period of two (2) months from the date of this announcement.

9. Borrowings

The Group's borrowings as at 31 March 2015 are as follows:

	Secured RM'000
Short-term borrowings	
Bills payable	5,784
Bank overdraft	1,361
Finance lease and hire purchase payable	57
Term loans	2,599
	<u>9,801</u>
Long-term borrowings	
Finance lease and hire purchase payable	147
Term loans	11,855
	<u>12,002</u>
Total	<u>21,803</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 ("Loscam") 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 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 August 2014, was that both plaintiff's and defendant's claims were dismissed with no order as to costs.



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Both parties have filed an appeal on 25 August 2014, and the High Court had on 16 March 2015 dismissed both the appellant's appeal and the respondents cross appeal with costs.

As at todate, there has been no further appeal by Loscam, and Halex Woolton did not proceed to appeal.

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 31/03/2015	Preceding Year Quarter 31/03/2014	Current Year to-Date 31/03/2015	Preceding Year to-Date 31/03/2014
Profit attributable to equity holders of the Company (RM'000)	772	384	1,292	831
Weighted average number of ordinary shares in issue ('000)	105,973	99,973	105,973	99,973
Basic earnings per share (sen)	0.73	0.38	1.22	0.83

(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 May 2015