



HALEX GROUP

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 March 2019



Interim Report for the 3-months Financial Period Ended 31 March 2019

Unaudited Condensed Statements of Profit or Loss and Other Comprehensive Income

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(3-mths) Current Year Quarter 31/3/2019 RM'000	(3-mths) Preceding Year Quarter 31/3/2018 RM'000	(3-mths) Current Period to-Date 31/3/2019 RM'000	(3-mths) Preceding Period to-Date 31/3/2018 RM'000
Revenue	17,578	15,481	17,578	15,481
Cost of sales	(14,694)	(12,999)	(14,694)	(12,999)
Gross profit	2,884	2,482	2,884	2,482
Other income	230	327	230	327
Net gain arising from changes in fair value of biological assets	-	838	-	838
Selling and marketing expenses	(901)	(1,443)	(901)	(1,443)
Administrative and other expenses	(1,744)	(3,374)	(1,744)	(3,374)
Finance costs	(536)	(426)	(536)	(426)
Loss before taxation	(67)	(1,596)	(67)	(1,596)
Less: Taxation	(206)	(219)	(206)	(219)
Loss after taxation	(273)	(1,815)	(273)	(1,815)
Other comprehensive income/(expenses):-				
Realisation of revaluation on property, plant and equipment	-	(13)	-	(13)
Foreign currency translation	2	10	2	10
Other comprehensive income/(expenses) for the financial period	2	(3)	2	(3)
Total comprehensive expenses for the financial period	(271)	(1,818)	(271)	(1,818)
Loss for the financial period attributable to:-				
Owners of the Parent	(273)	(1,815)	(273)	(1,815)
Total comprehensive expenses attributable to:-				
Owners of the Parent	(271)	(1,818)	(271)	(1,818)
Loss per share				
Basic (sen)	(0.26)	(1.71)	(0.26)	(1.71)
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 2018 and the accompanying notes attached to this interim financial report.



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

HALEX GROUP

Interim Report for the 3-months Financial Period Ended 31 March 2019

Unaudited Condensed Statements of Financial Position

	Unaudited as at 31/3/2019 RM'000	Audited as at 31/12/2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	59,721	59,617
Investment properties	4,134	4,134
Other investments	26	26
Total non-current assets	63,881	63,777
Current assets		
Inventories	18,241	18,200
Trade receivables	14,562	10,971
Other receivables, deposits and prepayments	21,456	20,835
Current tax assets	746	792
Deposits with licensed banks	72	71
Cash and bank balances	4,749	6,161
Total current assets	59,826	57,030
Asset classified as held for sale	1,600	1,600
TOTAL ASSETS	125,307	122,407
EQUITY AND LIABILITIES		
Equity		
Share capital	54,988	54,988
Treasury shares	(18)	(18)
Revaluation reserve	15,888	15,904
Exchange reserve	106	104
Accumulated losses	(9,111)	(8,854)
Total equity attributable to parent	61,853	62,124
Non-current liabilities		
Term loans	28,038	28,687
Finance lease payables	145	-
Deferred tax liabilities	2,948	2,948
Total non-current liabilities	31,131	31,635

The unaudited Condensed Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying notes attached to this interim financial report.



HALEX GROUP

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

Interim Report for the 3-months Financial Period Ended 31 March 2019

Unaudited Condensed Statements of Financial Position (Cont'd)

	Unaudited as at 31/3/2019 RM'000	Audited as at 31/12/2018 RM'000
Current liabilities		
Trade payables	4,121	3,525
Other payables and accruals	2,717	2,910
Provision	311	1,394
Amount owing to related companies	11,508	5,504
Term loans	2,551	2,544
Finance lease payables	26	-
Bills payable	10,740	12,145
Bank overdrafts	349	626
Total current liabilities	32,323	28,648
Total liabilities	63,454	60,283
TOTAL EQUITY AND LIABILITIES	125,307	122,407
No. of ordinary shares in issue ('000)	105,973	105,973
Net assets per share attributable to equity holders of the Company (RM)	0.58	0.59

The unaudited Condensed Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 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 March 2019

Unaudited Condensed Statements of Cash Flows

	3-months ended 31/3/2019 RM'000	3-months ended 31/3/2018 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES		
Loss before taxation	(67)	(1,596)
Adjustments for:-		
Allowance for impairment losses on trade receivables	36	-
Depreciation of property, plant and equipment	339	214
Fair value gain on biological assets	-	(838)
Interest expenses	536	426
Interest income	(14)	(147)
Unrealised gain on foreign exchange	(5)	(149)
Operating profit/(loss) before working capital changes	<u>825</u>	<u>(2,090)</u>
Changes in working capital:-		
Biological assets	-	652
Inventories	(41)	2,709
Receivables	(3,448)	2,425
Payables	(675)	(3,623)
Related companies	6,004	1,495
	<u>1,840</u>	<u>3,658</u>
Cash from operations	2,665	1,568
Tax paid	(161)	(79)
Net cash from operating activities	<u>2,504</u>	<u>1,489</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 2018 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 March 2019

Unaudited Condensed Statements of Cash Flows (Cont'd)

	3-months ended 31/3/2019 RM'000	3-months ended 31/3/2018 RM'000
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES		
Interest received	14	147
Proceeds from disposal of property, plant and equipment	-	(7)
Purchase of property, plant and equipment	(271)	-
Placement of deposits with licensed banks	(1)	-
Net cash (for)/from investing activities	<u>(258)</u>	<u>140</u>
CASH FLOWS FOR FINANCING ACTIVITIES		
Interest paid	(536)	(426)
Net decrease of bank borrowings	(1,405)	(800)
Repayment of finance lease payables	-	(70)
Repayment of term loans	(642)	-
Net cash for financing activities	<u>(2,583)</u>	<u>(1,296)</u>
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(337)	333
EFFECT OF FOREIGN EXCHANGE TRANSLATION	2	10
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	5,535	22,466
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>5,200</u>	<u>22,809</u>
CASH AND CASH EQUIVALENTS COMPRISE		
Deposits with licensed banks	72	18,444
Cash and bank balances	4,749	7,239
Bank overdraft	(349)	(1,047)
	<u>4,472</u>	<u>24,636</u>
Less: Deposits pledged to licensed banks	(72)	(1,827)
	<u>4,400</u>	<u>22,809</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 2018 and the accompanying notes attached to this interim financial report.

**HALEX HOLDINGS BERHAD** (206220-U)

(Incorporated in Malaysia under the Companies Act, 1965)

HALEX GROUP

Interim Report for the 3-months Financial Period Ended 31 March 2019**Unaudited Condensed Statements of Changes in Equity**

	<----- Non-distributable ----->			<----- Distributable ----->		Total RM'000
	Share Capital RM'000	Revaluation Reserve RM'000	Exchange Reserve RM'000	Treasury Shares RM'000	Accumulated Losses RM'000	
As at 1/1/2019	54,988	15,904	104	(18)	(8,854)	62,124
Loss after taxation for the financial period	-	-	-	-	(273)	(273)
Other comprehensive income for the financial period:						
- Foreign currency translation	-	-	2	-	-	2
Realisation of revaluation surplus	-	(16)	-	-	16	-
As at 31/3/2019	54,988	15,888	106	(18)	(9,111)	61,853
As at 1/1/2018	54,988	18,817	116	(18)	(431)	73,472
Loss after taxation for the financial period	-	-	-	-	(1,815)	(1,815)
Other comprehensive income for the financial period:						
- Foreign currency translation	-	-	10	-	-	10
Realisation of revaluation surplus	-	(13)	-	-	13	-
As at 31/3/2018	54,988	18,804	126	(18)	(2,233)	71,667

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 2018 and the accompanying notes attached to this interim financial report.



Interim Report for the 3-months Financial Period Ended 31 March 2019

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 2018. For the financial year up to 31 December 2018 and including the financial period ended 31 March 2019, 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 2018.

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:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations when they become effective in the respective financial periods.

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.



Interim Report for the 3-months Financial Period Ended 31 March 2019

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 2018 were not subject to any qualification.

4. Seasonal or Cyclical Factors

The Group's agriculture supplies & trading business is sensitive to prolonged extreme weather conditions.

5. Unusual Items

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

6. Material Changes in Estimates

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

7. Details of Changes in Debts and Equity Securities

There were no issuance, cancellation, repurchase, resale or repayment of debt and/or equity securities during the current quarter under review and financial period to-date.

8. Dividend

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



Interim Report for the 3-months Financial Period Ended 31 March 2019

9. Segmental Reporting

	3-months ended 31 March 2019					
	Investment Holding RM'000	Agriculture Supplies & Trading RM'000	Consumer Products RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External sales	-	10,929	6,485	164	-	17,578
Inter-segment sales	691	-	591	33	(1,315)	-
Total	691	10,929	7,076	197	(1,315)	17,578
Results						
Segment results	(82)	1,099	(475)	146	(233)	455
Finance costs	(410)	(91)	(35)	-	-	(536)
Finance income	1	6	5	2	-	14
(Loss)/Profit before taxation	(491)	1,014	(505)	148	(233)	(67)
Taxation	-	(225)	19	-	-	(206)
(Loss)/Profit after taxation	(491)	789	(486)	148	(233)	(273)

	3-months ended 31 March 2018					
	Investment Holding RM'000	Agriculture Supplies & Trading RM'000	Consumer Products RM'000	Horticulture & Agro- biotechnologies RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External sales	-	7,890	6,450	1,141	-	15,481
Inter-segment sales	974	1,553	6	-	(2,533)	-
Total	974	9,443	6,456	1,141	(2,533)	15,481
Results						
Segment results	412	270	(2,073)	95	(21)	(1,317)
Finance costs	(254)	(115)	(57)	-	-	(426)
Finance income	132	10	4	1	-	147
Profit/(Loss) before taxation	290	165	(2,126)	96	(21)	(1,596)
Taxation	(179)	2	2	(44)	-	(219)
Profit/(Loss) after taxation	111	167	(2,124)	52	(21)	(1,815)



Interim Report for the 3-months Financial Period Ended 31 March 2019

10. Valuation of Property, Plant and Equipment

The values of property, plant and equipment have been brought forward without amendments from the Company's previous annual audited financial statements for the financial year ended 31 December 2018.

11. Changes in the Composition of the Group

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

12. Contingent Liabilities

The contingent liabilities are as follows:

	Company	
	As at	As at
	31/3/2019	31/12/2018
	RM'000	RM'000
Guarantees given to financial institutions for facilities granted to subsidiaries	<u>57,953</u>	<u>57,953</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.

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 3-months Financial Period Ended 31 March 2019

15. Related Party Transactions

The following table provides information on the transactions which have been entered into with related parties during the 3-months ended 31 March 2019 and 31 March 2018.

	Note	Transaction Value	
		31/3/2019 RM'000	31/3/2018 RM'000
Sales of raw materials:-			
Hextar Chemicals Sdn. Bhd.	#	<u>43</u>	<u>-</u>
Purchase of raw materials:-			
Hextar Chemicals Sdn. Bhd.	#	1,961	2,504
PK Fertilisers Sdn. Bhd.	#	10	-
Purchase of R&D services:-			
Hextar R&D International Sdn. Bhd.	#	<u>80</u>	<u>-</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 March 2019 and 31 December 2018 were as follows:-

	Outstanding balance	
	31/3/2019 RM'000	31/12/2018 RM'000
Total outstanding balances due from/(to) related parties included in:-		
Trade receivables	<u>-</u>	<u>161</u>
Trade payables	<u>(6,508)</u>	<u>(4,665)</u>



Interim Report for the 3-months Financial Period Ended 31 March 2019

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

1. Review of Performance of the Group

For the current quarter, the Group registered a total revenue of RM17.58 million, representing an increase of RM2.10 million or 13.6% as compared to the corresponding quarter of the preceding year. The increase was mainly due to increase in revenue from the Agriculture Supplies & Trading segment.

For the current quarter, the Group reported a loss before taxation of RM0.07 million against a loss before taxation of RM1.60 million in the corresponding quarter of the preceding year, representing a reduction of loss before taxation by RM1.53 million or 95.6%. This was mainly due to cost saving from the Group's continuous effort to reduce its operating expenses.

2. Comparisons with the Immediate Preceding Quarter's Results

	(3-months) Current Quarter ended 31/3/2019 (RM'000)	(3-months) Preceding Quarter ended 31/12/2018 (RM'000)
Revenue	17,578	15,713
Loss before taxation	(67)	(6,851)

For the current quarter ended 31 March 2019, the Group registered revenue of RM17.58 million, representing an increase of RM1.87 million or 11.9% as compared to the immediate preceding quarter. The increase was mainly due to higher sales recorded from Agriculture Supplies & Trading segment.

During the current quarter, the Group recorded a loss before taxation of RM0.07 million against a loss before taxation of RM6.85 million in the immediate preceding quarter, representing a reduction of loss before taxation by RM6.78 million or 99.0%. The higher loss before taxation recorded for the preceding quarter was mainly due to recognition of impairment of trade receivables amounted to RM0.22 million, write-off of inventories and biological assets amounted to RM2.50 million and expenses relating to consolidation of operations amounted to RM1.56 million.

3. Year 2019 Prospects

The Board acknowledges that the key for a better financial performance is to have an optimised production capacity and efficient utilisation of all resources.

The acquisition of Hextar Chemicals Limited of which the announcement of completion was made on 30 April 2019 witnessed a tremendous corporate milestone for the Company to solidify its position as a leading and biggest producer of agrochemicals in Malaysia through continuous development and upgrade our Research & Development capabilities.

The Group foresees this prominent and formidable alliance has the ability to enhance the competitiveness of our agrochemical business by increasing product range and extending distribution network including the presence in the new markets.

The Board is of the view that with the abovementioned strategies and acquisition of Hextar Chemicals Limited, the Group would be able to deliver a better financial performance.



Interim Report for the 3-months Financial Period Ended 31 March 2019

4. Financial Forecast and Profit Guarantee

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

5. Taxation

The taxation figures are as follows:

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/3/2019 RM'000	Preceding Year Quarter 31/3/2018 RM'000	Current Period to-Date 31/3/2019 RM'000	Preceding Period to-Date 31/3/2018 RM'000
Deferred tax	-	(40)	-	(40)
Income tax	(206)	(179)	(206)	(179)
	<u>(206)</u>	<u>(219)</u>	<u>(206)</u>	<u>(219)</u>

Despite the overall loss for the current quarter and cumulative quarter 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 quarter.

6. Status of Corporate Proposal

The Company had on 1 April 2019, obtained the approval from the shareholders for the acquisition of Hextar Chemicals Limited ("Acquisition"), and subsequently on 30 April 2019, announced the completion of the Acquisition upon the listing and quotation and placement of 714,679,564 new ordinary shares in the Company arising from the Acquisition.



Interim Report for the 3-months Financial Period Ended 31 March 2019

7. Borrowings

The Group's borrowings as at 31 March 2019 and 31 December 2018 are as follows:

	As at 31/3/2019 RM'000	As at 31/12/2018 RM'000
Short-term borrowings		
Term loans	2,551	2,544
Finance lease payables	26	-
Bills payable	10,740	12,145
Bank overdrafts	349	626
	<u>13,666</u>	<u>15,315</u>
Long-term borrowings		
Term loans	28,038	28,687
Finance lease payables	145	-
	<u>28,183</u>	<u>28,687</u>
Total	<u><u>41,849</u></u>	<u><u>44,002</u></u>

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

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 31/3/2019	Preceding Year Quarter 31/3/2018
	Current Period to-Date 31/3/2019	Preceding Period to-Date 31/3/2018
Loss attributable to equity holders of the Company (RM'000)	<u>(273)</u>	<u>(1,815)</u>
Weighted average number of ordinary shares in issue ('000)	<u>105,973</u>	<u>105,973</u>
Basic loss per share (sen)	<u><u>(0.26)</u></u>	<u><u>(1.71)</u></u>

(b) Diluted

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



Interim Report for the 3-months Financial Period Ended 31 March 2019

10. Notes to the Statements of Profit or Loss

The following items have been included in arriving at profit/(loss) before tax:-

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/3/2019 (RM'000)	Preceding Year Quarter 31/3/2018 (RM'000)	Current Period to-Date 31/3/2019 (RM'000)	Preceding Period to-Date 31/3/2018 (RM'000)
Allowance for impairment losses on trade receivables	36	-	36	-
Depreciation of property, plant and equipment	339	214	339	214
Interest expense	536	426	536	426
Interest income	(14)	(147)	(14)	(147)
Unrealised gain on foreign exchange	(5)	(149)	(5)	(149)
Exceptional items	-	-	-	-

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

Lim Hooi Mooi
Company Secretary
Kuala Lumpur
27 May 2019