



HALEX GROUP

HALEX HOLDINGS BERHAD

(Company No. 206220-U)

(Incorporated in Malaysia under the Companies Act, 1965)

Interim Report For the 3-month Financial Period Ended 31 March 2018



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

Interim Report for the 3-month Financial Period Ended 31 March 2018

Unaudited Condensed Statements of Profit or Loss and Other Comprehensive Income

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(3-mth)	(3-mth)	(3-mth)	(3-mth)
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Quarter	to-Date	to-Date
	31/3/2018	31/3/2017	31/3/2018	31/3/2017
	RM'000	RM'000	RM'000	RM'000
Revenue	15,481	13,783	15,481	13,783
Cost of sales	(12,999)	(13,284)	(12,999)	(13,284)
Gross profit	2,482	499	2,482	499
Other income	327	133	327	133
Net gain arising from changes in fair value of biological assets	838	890	838	890
Selling and marketing expenses	(1,443)	(1,888)	(1,443)	(1,888)
Administration expenses	(3,374)	(2,657)	(3,374)	(2,657)
Finance costs	(426)	(425)	(426)	(425)
Share of results of associate	-	(118)	-	(118)
Loss before taxation	(1,596)	(3,566)	(1,596)	(3,566)
Less: Taxation	(219)	(76)	(219)	(76)
Loss after taxation	(1,815)	(3,642)	(1,815)	(3,642)
Other comprehensive loss:-				
Realisation of revaluation on property, plant and equipment	(13)	-	(13)	-
Foreign currency translation	10	(4)	10	(4)
Other comprehensive loss for the period	(3)	(4)	(3)	(4)
Total comprehensive loss for the period	(1,818)	(3,646)	(1,818)	(3,646)
Loss for the financial year attributable to :				
Owners of the Parent	(1,815)	(3,642)	(1,815)	(3,642)
Total comprehensive loss attributable to :				
Owners of the Parent	(1,818)	(3,646)	(1,818)	(3,646)
Loss per share				
Basic (sen)	(1.71)	(3.44)	(1.71)	(3.44)
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 2017 and the accompanying notes attached to this interim financial report.



HALEX HOLDINGS BERHAD (206220-U)
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Interim Report for the 3-month Financial Period Ended 31 March 2018

Unaudited Condensed Statements of Financial Position

	Unaudited As At 31/3/2018 RM'000	Audited As At 31/12/2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	54,682	54,889
Investment properties	5,249	5,249
Other investments	26	26
	<u>59,957</u>	<u>60,164</u>
Current assets		
Inventories	14,775	17,483
Biological assets	2,321	2,134
Trade receivables	12,081	12,116
Other receivables, deposits and prepayments	2,935	5,326
Amount due from a related company	-	637
Current tax assets	1,582	1,517
Deposits with licensed banks	18,444	1,827
Cash and bank balances	7,239	24,242
	<u>59,377</u>	<u>65,282</u>
TOTAL ASSETS	<u><u>119,334</u></u>	<u><u>125,446</u></u>
 EQUITY AND LIABILITIES		
Equity		
Share capital	54,988	54,988
Revaluation reserves	18,804	18,817
Treasury shares	(18)	(18)
	<u>73,774</u>	<u>73,787</u>
Exchange reserves	126	116
Accumulated loss/ Retained earnings	(2,233)	(431)
Total equity attributable to parent	<u>71,667</u>	<u>73,472</u>
Non-current liabilities		
Term loans	25,385	25,929
Finance lease payables	-	29
Deferred tax liabilities	3,406	3,366
Total non-current liabilities	<u>28,791</u>	<u>29,324</u>

The unaudited Condensed Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying notes attached to this interim financial report.



HALEX HOLDINGS BERHAD (206220-U)
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Interim Report for the 3-month Financial Period Ended 31 March 2018

Unaudited Condensed Statements of Financial Position (Cont'd)

	Unaudited As At 31/3/2018 RM'000	Audited As At 31/12/2017 RM'000
Current Liabilities		
Trade payables	3,977	7,892
Other payables and accruals	1,711	1,567
Amount due to a related company	859	-
Term loans	2,183	2,183
Finance lease payables	-	41
Bills payable	8,921	9,176
Bank overdrafts	1,047	1,776
Current tax liabilities	178	15
Total current liabilities	18,876	22,650
Total liabilities	47,667	51,974
TOTAL EQUITY AND LIABILITIES	119,334	125,446
No. of ordinary shares in issue ('000)	105,973	105,973
Net assets per share attributable to equity holders of the Company (RM)	0.68	0.69

The unaudited Condensed Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 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-month Financial Period Ended 31 March 2018

Unaudited Condensed Statements of Cash Flows

	3-month ended 31/3/2018 RM'000	3-month ended 31/3/2017 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(1,596)	(3,566)
Adjustments for:-		
Depreciation of property, plant and equipment	214	613
Dividend income	-	(1)
Fair value gain on biological assets	(838)	(890)
Gain on foreign exchange-unrealised	(149)	(196)
Gain on investment in quoted shares - unrealised	-	(32)
Interest expenses	426	425
Interest income	(147)	(14)
Share of associate company's results	-	118
Operating loss before working capital changes	(2,090)	(3,543)
Changes in working capital:		
Biological assets	652	574
Inventories	2,709	3,389
Receivables	2,425	4,426
Payables	(3,623)	(2,894)
Related company	1,495	-
	<u>3,658</u>	<u>5,495</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 2017 and the accompanying notes attached to this interim financial report.



HALEX HOLDINGS BERHAD (206220-U)
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Interim Report for the 3-month Financial Period Ended 31 March 2018

Unaudited Condensed Statements of Cash Flows (Cont'd)

	3-month ended 31/3/2018 RM'000	3-month ended 31/3/2017 RM'000
Cash generated from operations	1,568	1,952
Interest paid	(426)	(425)
Tax paid	(79)	(20)
	(505)	(445)
Net cash generated from operating activities	1,063	1,507
CASH FLOW FROM INVESTING ACTIVITIES		
Dividend received	-	1
Interest received	147	13
Proceeds from disposal of plant and equipment	(7)	-
Purchase of property, plant and equipment		(38)
Net cash used in investing activities	140	(24)
CASH FLOW FROM FINANCING ACTIVITIES		
Increased/ Repayment of bank borrowings	(800)	556
Repayment of finance lease payables	(70)	(13)
Net cash (used in)/ generated from financing activities	(870)	543
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	333	2,026
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	10	(4)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	22,466	(1,800)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	22,809	222
CASH AND CASH EQUIVALENTS COMPRISE		
Deposit with licensed bank	18,444	1,772
Cash and bank balances	7,239	2,725
Bank overdraft	(1,047)	(2,503)
	24,636	1,994
Less: Deposits pledged to licensed bank	(1,827)	(1,772)
	22,809	222

The unaudited Condensed Statements of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying notes attached to this interim financial report.



HALEX HOLDINGS BERHAD (206220-U)
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Unaudited Condensed Statements of Changes in Equity

	<----- Non-distributable ----->				<----- Distributable ----->		
	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	Total RM'000
As at 1/1/2018	54,988	18,817	-	116	(18)	(431)	73,472
Loss for the period	-	-	-	-	-	(1,815)	(1,815)
Other comprehensive income for the period							
- Realisation of revaluation on property, plant and equipment	-	(13)	-	-	-	13	-
- Foreign currency translation	-	-	-	10	-	-	10
As at 31/3/2018	54,988	18,804	-	126	(18)	(2,233)	71,667
As at 1/1/2017	53,000	20,208	1,988	106	(18)	8,504	83,788
Loss for the period	-	-	-	-	-	(3,642)	(3,642)
Other comprehensive loss for the period							
- Foreign currency translation	-	-	-	(4)	-	-	(4)
As at 31/3/2017	53,000	20,208	1,988	102	(18)	4,862	80,142

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 2017 and the accompanying notes attached to this interim financial report.



Interim Report for the 3-months Financial Period Ended 31 March 2018

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 2017. For the financial year up to 31 December 2017 and including the financial period ended 31 March 2018, 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 2017.

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 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
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 119: Plan Amendment, Curtailment of Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

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 2018

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 2017 were not subject to any qualification.

4. Seasonal or Cyclical Factors

The Group's agriculture supplies & trading and horticulture & agro-biotechnologies businesses are sensitive to prolonged extreme weather conditions.

5. Unusual Items

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

6. Material Changes in Estimates

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

7. Details of Changes in Debts and Equity Securities

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

8. Dividend

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



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9. Segmental Reporting

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
(Loss)/ Profit before taxation	290	165	(2,126)	96	(21)	(1,596)
Taxation	(179)	2	2	(44)	-	(219)
(Loss)/ Profit after taxation	111	167	(2,124)	52	(21)	(1,815)

	3-months ended 31 March 2017					
	Investment holding RM'000	Agriculture Supplies & Trading RM'000	Consumer Products RM'000	Horticulture & Agro- biotechnologies RM'000	Eliminations RM'000	
Revenue						
External sales	-	6,310	6,286	1,187	-	13,783
Inter-segment sales	-	1,657	10	-	(1,667)	-
Total	-	7,967	6,296	1,187	(1,667)	13,783
Results						
Segment results	(552)	(296)	(2,444)	320	(37)	(3,009)
Finance costs	(263)	(107)	(55)	-	-	(425)
Finance income	1	(16)	1	-	-	(14)
Share of results of associate	(118)	-	-	-	-	(118)
(Loss)/ Profit before taxation	(932)	(419)	(2,498)	320	(37)	(3,566)
Taxation	-	-	-	(76)	-	(76)
(Loss)/ Profit after taxation	(932)	(419)	(2,498)	244	(37)	(3,642)



Interim Report for the 3-months Financial Period Ended 31 March 2018

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 2017.

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
	31/3/2018	31/12/2017
	RM'000	RM'000
Guarantees given to financial institutions for facilities granted to subsidiaries	45,463	45,463

13. Capital Commitments

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

	As at
	31/3/2018
	RM'000
Authorised and contracted for:-	
Purchase of 6-storey shop office	6,210

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 2018

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 2018 and 31 December 2017.

	Note	Transaction Value	
		31/3/2018 RM'000	31/3/2017 RM'000
Sales of raw materials:-			
Hextar Chemicals Sdn. Bhd.	#	<u>-</u>	<u>-</u>
Purchase of raw materials:-			
Hextar Chemicals Sdn. Bhd.	#	<u>2,504</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 2018 and 31 December 2017 were as follows:-

	Outstanding balance	
	31/3/2018 RM'000	31/12/2017 RM'000
Total outstanding balances due from/(to) related parties included in:-		
Trade receivables	<u>1,547</u>	<u>2,143</u>
Trade payables	<u>2,406</u>	<u>1,506</u>



Interim Report for the 3-months Financial Period Ended 31 March 2018

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 March 2018, the Group registered revenue of RM15.48 million, representing an increase of RM1.70 million or 12.3% 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.

During the current quarter, the Group recorded a loss before taxation of RM1.60 million against a loss before taxation of RM3.57 million in the corresponding quarter of the preceding year, representing a reduction of loss before taxation by RM1.97 million or 55.2%. This was mainly because of improvement of margin.

2. Comparisons with the Immediate Preceding Quarter's Results

	(3 months) Current Quarter ended 31/3/2018 (RM'000)	(3 months) Preceding Quarter ended 31/12/2017 (RM'000)
Revenue	15,481	18,355
Loss before taxation	(1,596)	(5,480)

For the current quarter ended 31 March 2018, the Group registered revenue of RM15.48 million, representing a decrease of RM2.87 million or 15.7% as compared to the immediate preceding quarter. The decreased was mainly due to lower sales recorded from Agriculture Supplies & Trading segment.

During the current quarter, the Group has recorded a loss before taxation of RM1.60 million as compared to a loss before taxation of RM5.48 million in the immediate preceding quarter. The higher loss recorded for the preceding quarter was mainly due to recognition of impairment loss 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 accounts.

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.

The proposed acquisition as mentioned in Item 6 below will enable the Group to tap into the enlarged distribution network thus achieving the economies of scale and synergies.

The Board is of the view that, moving forward, with the above strategies, 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.

5. Taxation



Interim Report for the 3-months Financial Period Ended 31 March 2018

The taxation figures are as follows:

	Individual Quarter		Cumulative Quarters	
	Current Year	Preceding	Current	Preceding
	Quarter	Year Quarter	Year to-Date	Year to-Date
	31/3/2018	31/3/2017	31/3/2018	31/3/2017
	RM/000	RM/000	RM/000	RM/000
Deferred tax	(40)	(76)	(40)	(76)
Income tax	(179)	-	(179)	-
	<u>(219)</u>	<u>(76)</u>	<u>(219)</u>	<u>(76)</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

Subsequent to the heads of agreement signed and announced on 6 December 2017, the Company had On 15 May 2018, entered into the sale of share 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 is determined based on the audited consolidated profit after taxation of HCL for the financial year ended 31 December 2017 multiplied by a price-to-earnings ("P/E") multiple of 13.75 times amounted to RM596,794,275. The Purchase Consideration will be satisfied through a combination of cash amounting to RM17,903,828 and the issuance of 714,679,564 new ordinary shares in Halex at an issue price of RM0.81 per consideration share. Application for clearance of circular to shareholders and listing of consideration shares will be submitted to Bursa Malaysia Securities Berhad in due course.

7. Borrowings

The Group's borrowings as at 31 March 2018 and 31 December 2017 are as follows:

	As at	As at
	31/3/2018	31/12/2017
	RM'000	RM'000
Short-term borrowings		
Term loans	2,183	2,183
Finance lease payables	-	41
Bills payable	8,921	9,176
Bank overdrafts	1,047	1,776
	<u>12,151</u>	<u>13,176</u>
Long-term borrowings		
Term loans	25,385	25,929
Finance lease payables	-	29
	<u>25,385</u>	<u>25,958</u>
Total	<u>37,536</u>	<u>39,134</u>

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



Interim Report for the 3-months Financial Period Ended 31 March 2018

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	Preceding Year	Current Year	Preceding Year
	Quarter	Quarter	Year to-Date	Year to-Date
	31/3/2018	31/3/2017	31/3/2018	31/3/2017
Loss attributable to equity holders of the Company (RM'000)	(1,815)	(3,642)	(1,815)	(3,642)
Weighted average number of ordinary shares in issue ('000)	105,973	105,973	105,973	105,973
Basic loss per share (sen)	(1.71)	(3.44)	(1.71)	(3.44)

(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.

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	Preceding Year	Current Year	Preceding Year
	Quarter	Quarter	To Date	To Date
	31.3.2018	31.3.2017	31.3.2018	31.3.2017
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Interest income	147	14	147	14
Other income including investment income	10	119	10	119
Interest expense	426	425	426	425
Depreciation and amortisation	214	613	214	613
Impairment of and write off of receivables	-	-	-	-
Impairment of and write off of inventories	-	-	-	-
Gain/ (Loss) on disposal of quoted or unquoted investments or properties	-	-	-	-
Impairment of assets	-	-	-	-



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Plant and equipment written off	-	-	-	-
Goodwill written off	-	-	-	-
Foreign exchange gain/(loss)	116	48	116	48
Gain or loss on derivatives	-	-	-	-
Exceptional items	-	-	-	-

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

Lim Hooi Mooi
Company Secretary
Kuala Lumpur
21 May 2018