



MAG HOLDINGS BERHAD

(formerly known as XingHe Holdings Berhad)

200401004611 (643114-X)

(Incorporated in Malaysia)

Unaudited 3 months and 15 months ended

31 March 2021

Interim Financial Statements Announcement



MAG Holdings Berhad

(formerly known as XingHe Holdings Berhad)

200401004611 (643114-X)

(Incorporated in Malaysia)

Condensed Consolidated Statement of Profit or Loss

	3 months		15 months	
	1.1.2021 to 31.3.2021 RM'000 (Unaudited)	1.1.2020 to 31.3.2020 RM'000 (Unaudited)	1.1.2020 to 31.3.2021 RM'000 (Unaudited)	1.1.2019 to 31.3.2020 RM'000 (Unaudited)
Revenue	5,348	2,237	55,958	n/a
Cost of sales	(4,211)	(1,600)	(45,060)	n/a
Gross profit	1,137	637	10,898	n/a
Other income	1,145	84	5,480	n/a
Operating expenses	(1,589)	(217)	(7,043)	n/a
Finance costs	(816)	(576)	(3,594)	n/a
Foreign exchange gain	4,480	270	7,572	n/a
Share of loss of an associate	(97)	(533)	(702)	n/a
Profit/(loss) before taxation	4,260	(335)	12,611	n/a
Taxation	-	-	-	n/a
Profit/(loss) for the period	4,260	(335)	12,611	n/a
Profit/(loss) for the period attributable to:				
-Owners of the Company	4,261	(295)	12,624	n/a
-Non-controlling interests	(1)	(40)	(13)	n/a
	4,260	(335)	12,611	n/a
Earnings/(loss) per share:				
Basic (Sen)	0.58	(0.05)	1.91	n/a

Notes-

n/a - Not applicable

There are no comparative figures presented for 15 months due to the change in financial year end from 31 December to 30 June. The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to these interim financial statements.



MAG Holdings Berhad

(formerly known as XingHe Holdings Berhad)

200401004611 (643114-X)

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Condensed Consolidated Statement of Comprehensive Income

	3 months		15 months	
	1.1.2021 to 31.3.2021 RM'000 (Unaudited)	1.1.2020 to 31.3.2020 RM'000 (Unaudited)	1.1.2020 to 31.3.2021 RM'000 (Unaudited)	1.1.2019 to 31.3.2020 RM'000 (Unaudited)
Profit/(loss) for the period	4,260	(335)	12,611	n/a
Other comprehensive income, net of tax: Items that may be reclassified subsequently to profit or loss:				
Foreign currency translations	6,799	2,276	17,231	n/a
Total other comprehensive income for the period, net of tax	6,799	2,276	17,231	n/a
Total comprehensive income for the period, net of tax	11,059	1,941	29,842	n/a
Total comprehensive income attributable to:				
Owners of the Company	11,060	1,981	29,855	n/a
Non-controlling interests	(1)	(40)	(13)	n/a
	11,059	1,941	29,842	n/a

There are no comparative figures presented for 15 months due to the change in financial year end from 31 December to 30 June. The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to these interim financial statements.



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Condensed Consolidated Statement of Financial Position

	As at 31.3.2021 RM'000 (Unaudited)	As at 31.12.2019 RM'000 (Audited)
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	113,616	98,549
Investment in an associate	90,167	94,339
Loan to an associate	260,876	234,723
Goodwill	1,388	1,388
	<u>466,047</u>	<u>428,999</u>
CURRENT ASSETS		
Biological assets	4,893	3,118
Inventories	228	502
Trade and other receivables	30,861	11,824
Cash and bank balances	108,088	94,936
	<u>144,070</u>	<u>110,380</u>
TOTAL ASSETS	<u>610,117</u>	<u>539,379</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	374,396	346,680
Reserves	161,781	131,566
Total equity attributable to owners of the Company	<u>536,177</u>	<u>478,246</u>
Non-controlling interest	1,676	1,689
TOTAL EQUITY	<u>537,853</u>	<u>479,935</u>
NON-CURRENT LIABILITIES		
Bank borrowings	44,583	47,976
RCN- liability portion	1,640	-
Lease liability	255	72
	<u>46,478</u>	<u>48,048</u>
CURRENT LIABILITIES		
Trade and other payables	19,169	9,117
Bank borrowings	6,524	2,224
Lease liability	93	23
Taxation	-	32
	<u>25,786</u>	<u>11,396</u>
TOTAL LIABILITIES	<u>72,264</u>	<u>59,444</u>
TOTAL EQUITY AND LIABILITIES	<u>610,117</u>	<u>539,379</u>
Net assets per share (Sen)	<u>72</u>	<u>80</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to these interim financial statements.



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Condensed Consolidated Statement of Changes in Equity (Unaudited)

	Attributable to owners of the Company						Total Equity RM'000
	<-----Non-distributable----->			Distributable			
	Share Capital RM'000	Equity portion of RCN RM'000	Exchange Translation Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non- Controlling Interests RM'000	
At 1 January 2020	346,680	-	5,514	126,052	478,246	1,689	479,935
Total comprehensive income							
Profit/(loss) for the period	-	-	-	12,624	12,624	(13)	12,611
Foreign currency translations	-	-	17,231	-	17,231	-	17,231
	-	-	17,231	12,624	29,855	(13)	29,842
Transactions with owners of the Company							
Issuance of redeemable convertible notes ("RCN")	-	33,000	-	-	33,000	-	33,000
Conversion of RCN into ordinary shares	31,000	(31,000)	-	-	-	-	-
RCN - liability portion	-	(1,640)	-	-	(1,640)	-	(1,640)
Amortisation of RCN transaction costs	(3,284)	-	-	-	(3,284)	-	(3,284)
	27,716	360	-	-	28,076	-	28,076
At 31 March 2021	374,396	360	22,745	138,676	536,177	1,676	537,853

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to these interim financial statements.



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Condensed Consolidated Statement of Cash Flows

	15 months	
	1.1.2020 to 31.3.2021 RM'000 (Unaudited)	1.1.2019 to 31.3.2020 RM'000 (Unaudited)
Cash Flows from Operating Activities		
Profit before taxation	12,611	n/a
Adjustments for:		
Depreciation of property, plant and equipment	4,998	n/a
Fair value adjustment on loan to an associate	(5,041)	n/a
Finance costs	3,594	n/a
Interest income	(440)	n/a
Share of loss of an associate	702	n/a
Unrealised foreign exchange gain	(7,404)	n/a
Operating profit before working capital changes	<u>9,020</u>	n/a
Changes in working capital:		
Biological assets	(1,776)	n/a
Inventories	273	n/a
Receivables	(19,037)	n/a
Payables	12,098	n/a
Cash flows generated from operations	<u>578</u>	n/a
Interest paid	(979)	n/a
Tax paid	(31)	n/a
Net cash used in operating activities	<u>(432)</u>	n/a
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(17,023)	n/a
Interest income	440	n/a
Net cash used in investing activities	<u>(16,583)</u>	n/a
Cash Flows from Financing Activities		
Proceeds from issuance of RCN	33,000	n/a
RCN issuance expenses	(3,284)	n/a
Drawdown of bank borrowings, net	908	n/a
Repayment of lease liability	(46)	n/a
Net cash generated from financing activities	<u>30,578</u>	n/a
Net increase in cash and cash equivalents	13,563	n/a
Effects of exchange rate changes	(411)	n/a
Cash and cash equivalents at beginning of period	94,936	n/a
Cash and cash equivalents at end of period	<u><u>108,088</u></u>	<u><u>n/a</u></u>
Cash and cash equivalents comprise of:		
Cash and bank balances	<u><u>108,088</u></u>	<u><u>n/a</u></u>

There are no comparative figures presented for 15 months due to the change in financial year end from 31 December to 30 June. The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to these interim financial statements.



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A EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING

A1 Change in financial year end

The Company had on 6 October 2020 announced that it has changed its financial year end from 31 December to 30 June. Accordingly, the current financial period covers an eighteen (18) months' period from 1 January 2020 to 30 June 2021.

A2 Basis of preparation

The interim financial statements of the Group are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) 134: *Interim Financial Reporting* and Rule 9.22 of the ACE Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the explanatory notes attached to this interim financial report. The explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2019.

A3 Significant accounting policies

The accounting policies and methods of computation adopted by the Group in the preparation of the interim financial statements are consistent with those adopted in the preparation of the Group's financial statements for the year ended 31 December 2019, except for the adoption of the following accounting standards:

Effective for financial periods beginning on or after 1 January 2020

Amendment to MFRS 2 - *Share-Based Payment*

Amendment to MFRS 3 - *Definition of a Business*

Amendment to MFRS 9 and MFRS 7 - *Interest Rate Benchmark Reform*

Amendment to MFRS 14 - *Regulatory Deferral Accounts*

Amendments to MFRS 101 and MFRS 108 - *Definition of Material*

Amendment to MFRS 134 - *Interim Financial Reporting*

Amendment to MFRS 137 - *Provisions, Contingent Liabilities and Contingent Assets*

Amendment to MFRS 138 - *Intangibles Assets*

Amendment to IC Interpretation 19 - *Extinguishing Financial Liabilities with Equity Instruments*

Amendment to IC Interpretation 22 - *Foreign Currency Transaction and Advance Consideration*

Amendments to References to the Conceptual Framework in MFRS Standards

Effective for financial periods beginning on or after 1 June 2020

Amendment to MFRS 16 - *Covid-19 Related Rent Concessions*

Amendments to MFRS 4 - Extension of the Temporary Exemption from Applying MFRS 9 - effective as at the date of issue on 17 August 2020

The adoption of the above new standards, amendments to published standards and interpretation, where relevant, did not have any significant impact on the financial results of the Group.

A4 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2019 was not qualified.

A5 Segment information

The Group is primarily involved in one business segment which is in the business of prawn aquaculture and seafood processing. The business is entirely operated in Malaysia and therefore segment information based on geographical location is not presented. Further, the Group's assets and liabilities are managed on a group-wide basis and the chief decision maker relies on internal reports which is similar to those currently disclosed externally and therefore no further segment analysis is presented.

A6 Unusual items due to their nature, size or incidence

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

A7 Changes in estimates

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

A8 Seasonality or cyclical nature of operations

Live prawn aquaculture are generally affected by rainy season where the prawn fries supply is disrupted by the lower productivity of suppliers' broodstock. In addition, the quality of prawn fries supplied is usually lower and the growth rate of prawn fries is also diminished during rainy season.

A9 Dividends paid

No dividends were paid by the Company during the current quarter and financial period to-date.

A10 Changes in debt and equity securities

During the current financial period to-date, the Company:

- (a) Completed the issuance of 333,387,142 free warrants ("**Warrant(s)**") on the basis of one Warrant for every two existing ordinary shares of the Company. The Warrants were listed on the ACE Market of Bursa Securities on 8 September 2020.
- (b) Issued a total of RM33 million worth of Redeemable Convertible Notes ("**RCN**") of which RM31 million have been converted into 155 million ordinary shares at a conversion price of RM0.20 per share, thereby increasing the Company's issued share capital from RM346.68 million to RM374.40 million, after accounting for the amortisation of RCN transaction costs of RM8.37 million.

Save as disclosed above, there were no other issuances, cancellations, repurchases, resales and repayments of debt and equity securities.

A11 Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter and financial period to-date.



A12 Contingent assets or liabilities

The Group has no material contingent assets or liabilities since the end of the previous financial year.

A13 Material events subsequent to the end of current quarter

There were no material events subsequent to the end of current quarter, which have not been reflected in the interim financial statements for the 15 months ended 31 March 2021.

A14 Significant related party transactions

The related parties transactions of the Group have been entered into in the normal course of business and were carried out on normal commercial terms. List below are the significant transactions with related parties:

	3 months		15 months	
	1.1.2021 to 31.3.2021 RM'000 (Unaudited)	1.1.2020 to 31.3.2020 RM'000 (Unaudited)	1.1.2020 to 31.3.2021 RM'000 (Unaudited)	1.1.2019 to 31.3.2020 RM'000 (Unaudited)
With companies in which a Director who is also a substantial shareholder of the Company, has interests:				
- Rental of office space	22	22	112	n/a
- Sale of prawns	2,150	1,755	10,388	n/a

A15 Fair value of financial instruments

Save for the fair value adjustment of RM5.04 million on loan to an associate in 15M2021, there were no gain or loss arising from fair value changes on financial assets and liabilities for the current quarter and financial period to-date.

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1 Review of performance

3 months ended 31 March 2021 ("3M2021")

Revenue for the three months' ended 31 March 2021 increased RM3.11 million to RM5.35 million from RM2.24 million a year ago ("3M2020") as the Group ramps up its prawn farm operations. On profitability, the Group recorded a profit before taxation of RM4.26 million in 3M2021 as compared to a loss before taxation of RM0.34 million in 3M2020. Higher profit is in line with higher sales coupled with a gain of RM4.48 million in foreign currency translation largely on stronger Chinese renminbi and a fair value gain of RM1.05 million on a loan to an associate, Henan XingHe Oil and Fat Company Limited ("HXOF").

15 months ended 31 March 2021 ("15M2021")

The Group recorded a profit before taxation of RM12.61 million in 15M2021 on the back of RM55.96 million revenue from the prawn aquaculture and other seafood products business. There was no comparative figures due to the change in financial year end from 31 December to 30 June. The gross profit margin remains relatively stable at 19.5% and the Group endeavours to achieve a better yield on its prawn aquaculture farming through improvement in operational efficiency and cost management.

Other income of RM5.48 million in 15M2021 was derived largely from the fair value gain on loan to HXOF, amounting to RM5.04 million.

The 15M2021 results saw a foreign exchange gain of RM7.57 million, attributed largely to inter-company balances' exchange rate fluctuations which was a non-cash item.



B2 Comparison with immediate preceding quarter's results

	Current Quarter 1.1.2021 to 31.3.2021 RM'000 (Unaudited)	Preceding Quarter 1.10.2020 to 31.12.2020 RM'000 (Unaudited)
Revenue	5,348	19,027
Cost of sales	(4,211)	(16,046)
Gross profit	1,137	2,981
Other income	1,145	1,096
Operating expenses	(1,589)	(986)
Finance costs	(816)	(1,057)
Foreign exchange gain	4,480	330
Share of loss of an associate	(97)	(326)
Profit before taxation	4,260	2,038

Revenue lowered by 71.9% on reduced orders amid a Covid-19 induced slowdown in economic activities. The Group recorded a higher gross profit margin in current quarter on better cost management and on fair value gain on biological assets.

Lower operating expenses in the preceding quarter ended 31 December 2020 was due to credit entries on reversals of provision no longer required. Had there were no reversals, the operating expenses would had been fairly consistent with the current quarter.

Higher foreign exchange gain for the current quarter was attributed largely to stronger Chinese renminbi on translation of inter-company balances between ringgit and renminbi.

The financial results of edible oil and peanut trading business is reflected as share of results of an associate, reporting a share of loss of RM97,000 for the current quarter compared to RM326,000 for the preceding quarter.

B3 Commentary on prospects

As part of the diversification of business to include aquaculture business, the Group had on 12 December 2019 completed the acquisition of Wakuba Farm, a prawn farm with 102 cultivation ponds. Wakuba Farm is a matured asset, which is revenue-generating.

The Group, as disclosed in section B6(a)(1) below, announced the proposed acquisition of North Cube Sdn Bhd ("**NCUBE**"), a prawn aquaculture farming group with 133 cultivation ponds and a prawn processing plant. As NCUBE group is also a matured revenue-generating asset, the proposed acquisition is expected to further strengthen the Group's position as a leading prawn aquaculture player in the industry with a combined strength of 235 cultivation ponds and its own processing plant to process the harvests from both NCUBE and Wakuba Farm into finished products. The combined strength is expected to create economies of scale and synergy, and therefore expects to contribute meaningfully to the Group's financial performance going forward. This is premised on the facts that there will be a growing demand from global and local markets amid a declining level of captured fisheries, growing population and consumer health consciousness which see shrimp as a healthier alternative to other meats.

Nevertheless, as the Covid-19 pandemic is on-going, the Group remains mindful of the potential impact it will continue to have on the Group's operations.

B4 Profit forecast or profit guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax with profit forecast and shortfall in profit guarantee are not applicable.

B5 Taxation

	3 months		15 months	
	1.1.2021 to 31.3.2021 RM'000 (Unaudited)	1.1.2020 to 31.3.2020 RM'000 (Unaudited)	1.1.2020 to 31.3.2021 RM'000 (Unaudited)	1.1.2019 to 31.3.2020 RM'000 (Unaudited)
<u>Income tax:</u>				
Malaysian income tax:				
- Current year	-	-	-	n/a
- Overprovision in prior year	-	-	-	n/a
	-	-	-	n/a
<u>Deferred tax:</u>				
Origination of temporary differences	-	-	-	n/a
	-	-	-	n/a

The effective tax rate of the Group for the current quarter and financial period to-date is lower than the statutory tax rate on non-taxable gain and availability of tax allowances.

B6 Corporate proposals

(a) Corporate proposals announced but not completed:

- (1) The Company had on 24 March 2021 entered into a conditional share acquisition agreement with Ng Min Lin and Melvin Lim Chun Woei for the proposed acquisition of the entire equity interest in North Cube Sdn Bhd for a purchase consideration of RM200 million ("**Purchase Consideration**") to be satisfied via a combination of cash payment, issuance of new ordinary shares and redeemable preference shares ("**RPS**") in the Company ("**Proposed Acquisition**"). In conjunction with the Proposed Acquisition, the Company undertakes the following:
 - (i) Proposed private placement of up to 331,548,600 new ordinary shares, representing not more than 45% of the issued share capital of the Company, primarily to raise funds to finance the cash portion of the Purchase Consideration ("**Proposed Private Placement**"); and
 - (ii) Proposed amendment to the constitution of the Company to facilitate the issuance of the RPS under the Proposed Acquisition ("**Proposed Amendment**")
- (2) The Company had also on 24 March 2021 announced that it will undertake a proposed establishment and implementation of a long-term incentive plan ("**LTIP**"), comprising of a share grant plan and an employees' share option scheme, of up to 15% of the Company's total issued share capital (excluding treasury shares) at any point in time over the duration of the LTIP for eligible directors and employees of the Company and its subsidiaries ("**Proposed LTIP**").

Items (1) and (2) above are collectively referred to as the **Proposals**. The Proposed Acquisition, Proposed Private Placement and Proposed Amendment are inter-conditional upon each other. The Proposals is pending approval from shareholders of the Company at an extraordinary general meeting to be convened, and any other relevant authorities/parties, if required.

B6 Corporate proposals (Cont'd)

(b) Status of utilisation of proceeds raised from Redeemable Convertible Notes ("RCN")

Purpose	Proposed Utilisation RM'000	Utilisation as at 31.3.2021 RM'000	Estimated timeframe *
(a) Financing the acquisition of a prawn farm	101,000	51,204	within 3 years
(b) Working capital for the prawn farm	9,000	8,421	within 6 months
(c) Estimated expenses in relation to the issuance of RCN:			
(i) Setting up costs	1,600	1,600	within 1 month
(ii) Implementation costs	8,400	8,369	within 3 years
	<u>120,000</u>	<u>69,594</u>	

* The estimated timeframe for the utilisation is from the date of issue of the respective sub-tranches of the RCN.

B7 Borrowings and debt securities

The Group's borrowings, all of which are secured and denominated in Ringgit Malaysia, were as follows:

	As at 31.3.2021 RM'000 (Unaudited)	As at 31.12.2019 RM'000 (Audited)
Current:		
Trade working capital- <i>i</i>	1,488	-
Term financing - <i>i</i>	4,536	2,024
Cashline- <i>i</i>	500	200
	<u>6,524</u>	<u>2,224</u>
Non-current:		
Term financing - <i>i</i>	44,583	47,976
	<u>44,583</u>	<u>47,976</u>
Total	<u>51,107</u>	<u>50,200</u>

B8 Material litigations

The Group has no material litigation pending as at 9 June 2021 (the "LPD"), being the latest practicable date which is not more than 7 days from the date of this quarterly report.

B9 Proposed dividends

No dividends have been declared or recommended for the current quarter and financial period to-date.



B10 Basic and diluted earnings/(loss) per share

	3 months		15 months	
	1.1.2021 to 31.3.2021 (Unaudited)	1.1.2020 to 31.3.2020 (Unaudited)	1.1.2020 to 31.3.2021 (Unaudited)	1.1.2019 to 31.3.2020 (Unaudited)
<u>Basic earnings/(loss) per share</u>				
Profit/(loss) attributable to owners of the Company (RM'000)	4,261	(295)	12,624	n/a
Weighted average number of shares in issue ('000)	731,775	605,108	659,575	n/a
Basic earning/(loss) per share (Sen)	0.58	(0.05)	1.91	n/a

Diluted earnings/(loss) per share

The fully diluted earning/(loss) per share on the basis of the assumed conversion of RCN and Warrants have not been disclosed as the effect is anti-dilutive.

B11 Notes to the statement of comprehensive income

The profit/(loss) for the financial period to-date is arrived at after charging/(crediting):

	3 months		15 months	
	1.1.2021 to 31.3.2021 RM'000 (Unaudited)	1.1.2020 to 31.3.2020 RM'000 (Unaudited)	1.1.2020 to 31.3.2021 RM'000 (Unaudited)	1.1.2019 to 31.3.2020 RM'000 (Unaudited)
Depreciation of property, plant and equipment	1,008	985	4,998	n/a
Fair value adjustment on loan to an associate	(1,054)	(1,630)	(5,041)	n/a
Finance costs	816	576	3,594	n/a
Interest income	(92)	(84)	(440)	n/a
Rental of office space	23	22	113	n/a
Realised foreign exchanges gain	(168)	-	(168)	n/a
Unrealised foreign exchanges gain	(4,312)	(270)	(7,404)	n/a

Other income and expense items required to be disclosed by the Listing Requirements are not applicable.

B12 Authorisation for issue

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors.

Kuala Lumpur
15 June 2021

By Order of the Board
Wong Yuet Chyn
Company Secretary