



## **XingHe Holdings Berhad**

(formerly known as Key West Global Telecommunications Berhad) (Company No. 643114-X)  
(Incorporated in Malaysia)

### **INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JULY 2014 TO 30 SEPTEMBER 2014**

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# XingHe Holdings Berhad

(formerly known as Key West Global Telecommunications Berhad) (Company No. 643114-X)  
(Incorporated in Malaysia)

## Interim Financial Statements for the Financial Period Ended 30 September 2014

### Unaudited Consolidated Statement of Profit or Loss

	Notes	Individual Period		Cumulative Period	
		Current Period from 1 Jul 2014 to 30 Sept 2014 RM'000	Preceding Corresponding Period from 1 Jul 2013 to 30 Sept 2013 RM'000 (Note 1)	Current Period from 1 Jan 2014 to 30 Sept 2014 RM'000 (Note 2)	Preceding Corresponding Period from 1 Jan 2013 to 30 Sept 2013 RM'000 (Note 1)
<b>Revenue</b>	A4	<b>213,050</b>	N/A	<b>726,110</b>	N/A
Cost of sales		<b>(180,393)</b>	N/A	<b>(613,641)</b>	N/A
<b>Gross profit</b>		<b>32,657</b>	N/A	<b>112,469</b>	N/A
Other income		<b>135</b>	N/A	<b>641</b>	N/A
Selling and distribution expenses		<b>(6,869)</b>	N/A	<b>(14,831)</b>	N/A
Administrative expenses		<b>(4,120)</b>	N/A	<b>(12,919)</b>	N/A
<b>Profit from operations</b>		<b>21,803</b>	N/A	<b>85,360</b>	N/A
Reverse acquisition listing expense	A2.1	-	N/A	<b>(29,582)</b>	N/A
Finance costs		<b>(420)</b>	N/A	<b>(1,266)</b>	N/A
<b>Profit before tax</b>	B11	<b>21,383</b>	N/A	<b>54,512</b>	N/A
Income tax expense	B5	<b>(5,669)</b>	N/A	<b>(22,405)</b>	N/A
<b>Profit for the period</b>		<b>15,714</b>	N/A	<b>32,107</b>	N/A
<b>Attributable to:</b>					
Owners of the Company		<b>14,228</b>	N/A	<b>26,164</b>	N/A
Non-controlling interest		<b>1,486</b>	N/A	<b>5,943</b>	N/A
		<b>15,714</b>	N/A	<b>32,107</b>	N/A
Earnings per share attributable to owners of the Company					
- Basic (sen)	B10	<b>0.61</b>	N/A	<b>1.75</b>	N/A

#### Note 1:

There are no comparative figures for the individual and cumulative preceding corresponding periods being presented due to the reverse acquisition of XingHe Holdings Berhad (formerly known as: Key West Global Telecommunications Berhad) (the "Company") by Supreme Global Group Limited ("SGGL") ("Reverse Acquisition") as explained in Note A2.1(i) to this interim financial statements. SGGL being a non-listed public limited company had not prepared any interim financial statements prior to the Reverse Acquisition.

#### Note 2:

The cumulative current period covers from 1 January 2014 to 30 September 2014 as explained in Note A2.1(i) to this interim financial statements.

#### Note 3:

The audited consolidated statement of profit or loss of the Group for the financial year ended 31 January 2013 is enclosed as Appendix I to this interim financial statements.

The Unaudited Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying explanatory notes attached to this interim financial statements.

# XingHe Holdings Berhad

(formerly known as Key West Global Telecommunications Berhad) (Company No. 643114-X)  
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## Interim Financial Statements for the Financial Period Ended 30 September 2014

### Unaudited Consolidated Statement of Other Comprehensive Income

	Individual Period		Cumulative Period	
	Current Period from 1 Jul 2014 to 30 Sept 2014 RM'000	Preceding Corresponding Period from 1 Jul 2013 to 30 Sept 2013 RM'000 (Note 1)	Current Period from 1 Jan 2014 to 30 Sept 2014 RM'000 (Note 2)	Preceding Corresponding Period from 1 Jan 2013 to 30 Sept 2013 RM'000 (Note 1)
<b>Profit for the period</b>	<b>15,714</b>	N/A	<b>32,107</b>	N/A
<b>Other comprehensive income/(loss)</b>				
Foreign currency translation	7,253	N/A	(1,920)	N/A
<b>Total comprehensive income for the period</b>	<b>22,967</b>	N/A	<b>30,187</b>	N/A
<b>Attributable to:</b>				
Owners of the Company	21,352	N/A	24,719	N/A
Non-controlling interest	1,615	N/A	5,468	N/A
	<b>22,967</b>	N/A	<b>30,187</b>	N/A

*Note 1:*

*There are no comparative figures for the individual and cumulative preceding corresponding periods being presented due to the Reverse Acquisition as explained in Note A2.1(i) to this interim financial statements. SGGL being a non-listed public limited company had not prepared any interim financial statements prior to the Reverse Acquisition.*

*Note 2:*

*The cumulative current period covers from 1 January 2014 to 30 September 2014 as explained in Note A2.1(i) to this interim financial statements.*

*Note 3:*

*The audited consolidated statement of other comprehensive income of the Group for the financial year ended 31 January 2013 is enclosed as Appendix I to this interim financial statements.*

The Unaudited Consolidated Statement of Other Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to this interim financial statements.

# XingHe Holdings Berhad

(formerly known as Key West Global Telecommunications Berhad) (Company No. 643114-X)  
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## Interim Financial Statements for the Financial Period Ended 30 September 2014

### Unaudited Consolidated Statement of Financial Position

	Notes	30 Sept 2014 RM'000	31 Dec 2013 RM'000 (Note 1)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	A9	20,995	23,484
Prepaid land lease payments		10,848	11,285
Available-for-sale investment		-	1,399
		<b>31,843</b>	36,168
<b>CURRENT ASSETS</b>			
Inventories		16,655	32,263
Trade receivables		124,742	111,379
Other receivables		44,049	13,966
Cash and bank balances		169,301	81,769
		<b>354,747</b>	239,377
<b>TOTAL ASSETS</b>		<b>386,590</b>	275,545
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to owners of the Company			
Share capital	A10	234,850	36,204
Reserves		86,440	179,138
Equity attributable to owners of the Company		<b>321,290</b>	215,342
Non-controlling interest		26,737	21,269
<b>TOTAL EQUITY</b>		<b>348,027</b>	236,611
<b>NON-CURRENT LIABILITIES</b>			
Other payable		2,796	2,827
Borrowings	B7	22,361	-
Deferred tax liability		1,599	1,536
		<b>26,756</b>	4,363
<b>CURRENT LIABILITIES</b>			
Borrowings	B7	-	22,610
Trade payables		1,502	1,959
Other payables		8,279	6,947
Tax payable		2,026	3,055
		<b>11,807</b>	34,571
<b>TOTAL LIABILITIES</b>		<b>38,563</b>	38,934
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>386,590</b>	275,545

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## Interim Financial Statements for the Financial Period Ended 30 September 2014

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### Unaudited Consolidated Statement of Financial Position (Continued)

	<b>30 Sept 2014</b>	31 Dec 2013
	<b>RM</b>	RM
		(Note 1)
Net assets per share	<b>0.15</b>	(Note 2) 0.12

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*Note 1:*

*The latest unaudited Statement of Financial Position of SGGL and its subsidiaries ("SGGL Group") as at 31 December 2013 has been presented as the comparative Statement of Financial Position, following the Reverse Acquisition as explained in Note A2.1(ii) to this interim financial statements.*

*Note 2:*

*The net assets per share at 31 December 2013 was calculated based on newly issued 1.9 billion ordinary shares of RM0.10 each in the Company issued in exchange for 91,283,069 ordinary shares of HK\$1.00 each in SGGL following the Reverse Acquisition as explained in Note A2.1 to this interim financial statements.*

*Note 3:*

*The audited consolidated statement of financial position of the Group as at 31 January 2013 is enclosed as Appendix II to this interim financial statements.*

The Unaudited Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to this interim financial statements.

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## Interim Financial Statements for the Financial Period Ended 30 September 2014

### Unaudited Consolidated Statement of Changes in Equity

	Attributable to Owners of the Company											
	Issued equity										Non-controlling	Total
	Share capital	Equity reserve	Share premium	Capital reserve	Statutory reserve	Reverse acquisition reserve	Foreign exchange reserve	Retained Earnings	Total	Interest	Total	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2014	-	36,204	13,276	3,983	18,901	(A2.1) -	17,632	125,346	215,342	21,269	236,611	
Issuance of shares pursuant to acquisition of SGGL	190,000	-	20,000	-	-	-	-	-	210,000	-	210,000	
Adjustment arising from Reverse Acquisition	14,850	(36,204)	(12,867)	-	-	(154,550)	-	-	(188,771)	-	(188,771)	
Issuance of shares pursuant to private placement	30,000	-	30,000	-	-	-	-	-	60,000	-	60,000	
Profit for the period	-	-	-	-	-	-	-	26,164	26,164	5,943	32,107	
Foreign currency translation	-	-	-	-	-	-	(1,445)	-	(1,445)	(475)	(1,920)	
Total comprehensive income	-	-	-	-	-	-	(1,445)	26,164	24,719	5,468	30,187	
<b>At 30 September 2014</b>	<b>234,850</b>	<b>-</b>	<b>50,409</b>	<b>3,983</b>	<b>18,901</b>	<b>(154,550)</b>	<b>16,187</b>	<b>151,510</b>	<b>321,290</b>	<b>26,737</b>	<b>348,027</b>	

*Note 1:*

There are no comparative figures for the preceding corresponding period being presented due to the Reverse Acquisition as explained in Note A2.1(i) to this interim financial statements. SGGL being a non-listed public limited company had not prepared any interim financial statements prior to the Reverse Acquisition.

*Note 2:*

The audited consolidated statement of changes in equity of the Group for the financial year ended 31 January 2013 is enclosed as Appendix III to this interim financial statements.

The Unaudited Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to this interim financial statements.

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## Interim Financial Statements for the Financial Period Ended 30 September 2014

### Unaudited Consolidated Statement of Cash Flows

	<b>Current Period from 1 Jan 2014 to 30 Sept 2014 RM'000</b>	Preceding Period from 1 Jan 2013 to 30 Sept 2013 RM'000 <i>(Note 1)</i>
<b>Cash flows from operating activities</b>		
Profit before tax	54,512	N/A
Adjustments for:		
Finance costs	1,266	N/A
Interest income	(641)	N/A
Depreciation on property, plant and equipment	2,465	N/A
Amortisation on prepaid land lease payments	271	N/A
Reverse acquisition listing expense	29,582	N/A
Operating profit before working capital changes	87,455	N/A
Changes in current assets and liabilities		
Decrease in inventories	15,608	N/A
Increase in trade receivables	(13,363)	N/A
Increase in other receivables	(29,163)	N/A
Decrease in trade payables	(457)	N/A
Decrease in other payables	(8,363)	N/A
Cash flows generated from operations	51,717	N/A
Interest paid	(1,266)	N/A
Income tax paid	(23,434)	N/A
<b>Net cash generated from operating activities</b>	<b>27,017</b>	<b>N/A</b>
<b>Cash flows from investing activities</b>		
Additions of property, plant and equipment	(237)	N/A
Proceeds of disposal of available-for-sale investment	1,399	N/A
Acquisition of the subsidiaries, net of cash and cash equivalents acquired	404	N/A
Interest income	641	N/A
<b>Net cash generated from investing activities</b>	<b>2,207</b>	<b>N/A</b>
<b>Cash flows from financing activities</b>		
Proceeds of issuance of share capital	60,000	N/A
<b>Net cash generated from financing activities</b>	<b>60,000</b>	<b>N/A</b>
<b>Net increase in cash and cash equivalents</b>	<b>89,224</b>	<b>N/A</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>81,769</b>	<b>N/A</b>
<b>Exchange difference</b>	<b>(1,692)</b>	<b>N/A</b>
<b>Cash and cash equivalents at end of period</b>	<b>169,301</b>	<b>N/A</b>

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## Interim Financial Statements for the Financial Period Ended 30 September 2014

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### Unaudited Consolidated Statement of Cash Flows (Continued)

	<b>Current Period from 1 Jan 2014 to 30 Sept 2014 RM'000</b>	Preceding Period from 1 Jan 2013 to 30 Sept 2013 RM'000 (Note 1)
Cash and cash equivalents comprise the following:		
Cash and bank balances	<b>169,301</b>	N/A

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*Note 1:*

*There are no comparative figures for the preceding corresponding period being presented due to the Reverse Acquisition as explained in Note A2.1(i) to this interim financial statements. SGGL being a non-listed public limited company had not prepared any interim financial statements prior to the Reverse Acquisition.*

*Note 2:*

*The audited consolidated statement of cash flows of the Group for the financial year ended 31 January 2013 is enclosed as Appendix IV to this interim financial statements.*

The Unaudited Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to this interim financial statements.



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Interim Financial Statements for the Financial Period Ended 30 September 2014

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## A NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### A1 Basis of preparation

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

The latest unaudited Statement of Financial Position of SGGL as at 31 December 2013 has been presented as the comparative Statement of Financial Position, due to the Reverse Acquisition as explained in Note A2.1 below. SGGL being a non-listed public limited company had not prepared any interim financial statements prior to the Reverse Acquisition.

The accounting policies and methods of computation adopted in this interim financial statements are consistent with those adopted in the unaudited financial statements of SGGL for the year ended 31 December 2013. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company and its subsidiaries (the “Group”).

The financial year end of the Company was changed from 31 January 2014 to 31 December 2014 on 13 December 2013.

### A2 Significant Accounting Policies

#### A2.1 MFRS 3: Business Combinations – Reverse Acquisition

On 23 May 2013 and 8 January 2014, the Company entered into a share sale agreement and a supplemental share sale agreement respectively with the vendors, Testa Holdings Limited, Fox Empire Group Limited, Hong Kong Hongsheng Investment Company Limited and Superb First Limited, for the acquisition from them of the entire issued and paid-up share capital of SGGL. The total consideration for the Reverse Acquisition amounted to RM210 million and was satisfied by the issuance of 1.9 billion new ordinary shares of the Company of RM0.10 each at an issue price of RM0.1105 per share. Upon completion of the Reverse Acquisition on 29 April 2014, the Company became the legal holding company of SGGL and Testa Holdings Limited became the controlling shareholder of the Company.

In accordance with MFRS 3: Business Combinations, the aforementioned business combination between the Company and SGGL is treated as a reverse acquisition whereby for accounting purposes, the accounting acquirer is SGGL while the accounting acquiree is the Company.

Under the reverse acquisition method of accounting, even though the consolidated financial statements of the combined entity are issued under the name of the legal holding company, that is the Company, the consolidated financial statements represents a continuation of the historical financial statements of the legal subsidiary, that is SGGL.

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Interim Financial Statements for the Financial Period Ended 30 September 2014

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## A2 Significant Accounting Policies (continued)

### A2.1 MFRS 3: Business Combinations – Reverse Acquisition (continued)

Accordingly:-

- i) the results of the Group, prior to the completion of the Reverse Acquisition, for the period from 1 January 2014 to 28 April 2014 has been treated as pre-acquisition reserve. Hence, the current period-to-date of the consolidated Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows relates to the period from 1 January 2014 to 30 September 2014.

No comparative figures are presented for these statements as SGGL, a non-listed public limited liability company, had not prepared any interim financial statements prior to the Reverse Acquisition.

- ii) the latest unaudited Statement of Financial Position of SGGL as at 31 December 2013 has been presented as the comparative Statement of Financial Position.

- iii) the amount recognised as issued share capital in the consolidated Statement of Financial Position shall be determined by adding issued equity of SGGL (the legal subsidiary) immediately before the business combination to the cost of the combination determined. However, the share capital appearing in the consolidated Statement of Financial Position shall reflect the share capital of the Company (the legal holding), including the share capital issued by the Company to effect the combination, in total of RM234,850,000.

- iv) the share-based payment expense amounting to RM29,582,000 which arose from the reverse acquisition accounting had been recognised as reverse acquisition listing expense and expensed off in the Statement of Profit or Loss. This reverse acquisition listing expense is derived as follows:

The fair value of the identifiable assets and liabilities of the Company and its subsidiaries  
as at 29 April 2014:

	RM'000
Property, plant and equipment	17
Other receivables	920
Cash and cash equivalents	404
Other payables	(7,075)
Amount due to a director	(2,619)
<hr/>	
Total identifiable net liabilities	(8,353)
Deemed purchase consideration of the Company by SGGL	(21,229)
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Share-based payment expense	(29,582)

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## A2 Significant Accounting Policies (continued)

### A2.1 MFRS 3: Business Combinations – Reverse Acquisition (continued)

v) The reverse acquisition reserve as at 29 April 2014 is derived as follows:

	RM'000
Issued and paid-up share capital of the Company immediately before Reverse Acquisition	14,850
Share premium of the Company immediately before Reverse Acquisition	409
New shares issued by the Company to acquire SGGL	190,000
Share premium arises from new shares issued by the Company to acquire SGGL	20,000
Reversal of issued and paid-up share capital of SGGL pursuant to Reverse Acquisition	(36,204)
Reversal of share premium of SGGL pursuant to Reverse Acquisition	(13,276)
Deemed purchase consideration of the Company by SGGL	(21,229)
	<hr/>
Reverse acquisition reserve	154,550

### A2.2 Adoption of new MFRSs

The adoption of the following new standards and interpretations effective for the annual financial period beginning on or after 1 January 2014 have no significant impact to the Group:

- Amendments to MFRS 10 : Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)
- Amendments to MFRS 12 : Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)
- Amendments to MFRS 127 : Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)
- Amendments to MFRS 132 : Financial Instruments – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136 : Recoverable Amount Disclosure for Non-Financial Assets
- Amendments to MFRS 139 : Novation of Derivatives and Continuation of Hedge Accounting
- MFRS 9 : Mandatory Effective Date of MFRS 9 and Transition Disclosures (Amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009), MFRS 9 (IFRS 9 issued by IASB in October 2010) and MFRS 7)

The Group has not adopted the following new MFRSs and pronouncements:

#### Effective for annual financial periods beginning on or after 1 July 2014

- Amendment to MFRS 2 : Share-based Payment (Annual Improvements to MFRSs 2010-2012 Cycle)
- Amendment to MFRS 3 : Business Combination (Annual Improvements to MFRSs 2010-2012 Cycle)
- Amendment to MFRS 3 : Business Combination (Annual Improvements to MFRSs 2011-2013 Cycle)
- Amendment to MFRS 8 : Operating Segments (Annual Improvements to MFRSs 2010-2012 Cycle)
- Amendment to MFRS 13 : Fair Value Measurement (Annual Improvements to MFRSs 2011-2013 Cycle)

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## **A2 Significant Accounting Policies (continued)**

### **A2.2 Adoption of new MFRSs (continued)**

- Amendment to MFRS 116 : Property, Plant and Equipment (Annual Improvements to MFRSs 2010-2012 Cycle)
- Amendments to MFRS 119 : Defined Benefit Plans – Employee Contributions
- Amendment to MFRS 124 : Related Party Disclosures (Annual Improvements to MFRSs 2010-2012 Cycle)
- Amendment to MFRS 138 : Intangible Assets (Annual Improvements to MFRSs 2010-2012 Cycle)
- Amendment to MFRS 140 : Investment Property (Annual Improvements to MFRSs 2011-2013 Cycle)

#### **Effective for annual 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
- MFRS 14: Regulatory Deferral Accounts
- 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
- Amendments to MFRS 119 : Defined Benefit Plans (Annual Improvements to MFRSs 2012-2014 Cycle)
- Amendments to MFRS 127 : Separate Financial Statements – Equity Method in Separate Financial Statements

#### **Effective for annual financial periods beginning on or after 1 January 2017**

- MFRS 15 : Revenue from Contracts with Customers

#### **Effective for annual financial periods beginning on or after 1 January 2018**

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

The Group anticipates that the adoption of above new/revised MFRS, amendments to MFRS and IC Interpretation will have no material impact on the financial statements of the Group in the period of initial application.

## **A3 Auditors' report on preceding annual financial statements**

The Auditors' Report on the financial statements for the year ended 31 January 2013 was qualified with a disclaimer of opinion. Set out below is the extract of the Auditors' Report concerned for the year ended 31 January 2013 with regards to the qualification:

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## **A3 Auditors' report on preceding annual financial statements (continued)**

“Basis of Disclaimer of Opinion

- a) As disclosed in Note 33 to the financial statements, the Company had on 27 May 2011 announced to dispose of its subsidiary companies, namely Keywest Communications Inc. (“KCI”) and KeyWest Networks (Canada) Inc. (“KNI”). The disposals of these subsidiary companies were completed on 27 February 2012. Consequently, all the accounting records and information of KCI and KNI were transferred to the acquirer and the Company has no right to access to these accounting records and information subsequent to 27 February 2012. As such, the relevant accounting records and information of KCI and KNI were not made available to us during the audit for the financial year ended 31 January 2012 which was conducted subsequent to 27 February 2012.

In view of this, the unaudited management financial information of KCI and KNI were used for the preparation of the consolidated financial statements of the Group for the financial year ended 31 January 2012. Based on the unaudited management financial information, the financial contributions of KCI and KNI to the Group’s assets and liabilities for the prior financial year were RM26,274,936 and RM22,049,935 respectively and the prior financial year’s loss from these discontinued operations, net of tax is RM2,215,266; which is significant to the Group’s prior financial year financial position and results.

The financial position and results of KCI and KNI at the date of disposal were prepared based on management estimate due to insufficient information as stated in the preceding paragraphs. Based on the unaudited management financial information, the current year’s loss on disposal from these discontinued operations, net of tax is RM1,298,345 which is significant to the Group’s financial results.

We are unable to obtain sufficient appropriate audit evidence on the comparative information and whether the opening balance contain misstatements that may materially affect the current year’s financial statements. We are also unable to ascertain the possible adjustments, if any, that may be required to be made to the current financial year Group’s results and cash flows had the relevant accounting records and information of KCI and KNI up to the date of disposal were made available for our audit purposes.

- b) As disclosed in Note 2.6 to the financial statements, the financial statements of the Group and of the Company have been prepared on the assumption that the Group and the Company will continue as going concern. The application of going concern basis is based on the assumption that the Group and the Company will be able to realise their assets and discharge their liabilities in the normal course of business.

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Interim Financial Statements for the Financial Period Ended 30 September 2014

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## **A3 Auditors' report on preceding annual financial statements (continued)**

The Group and the Company have capital deficiency of RM1,938,224 and RM1,944,237 respectively. The Group and the Company incurred net losses of RM6,284,057 and RM4,334,634 respectively during the financial year ended 31 January 2013 and as at that date, the Group's and the Company's current liabilities exceeded their current assets by RM1,956,680 and RM1,944,240 respectively. There is no revenue generated by the Group and the Company during the financial year ended 31 January 2013 as disclosed in Note 21 to the financial statements. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as a going concern. The going concern basis of preparing the financial statements of the Group and of the Company as stated in Note 2.6 to the financial statements may be inappropriate.

On 31 May 2012, the Company announced that it becomes an Affected Listed Issuer pursuant to Guidance Note 3 ("GN 3") of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market. The Company is in the midst of evaluating various options in its endeavour to formulate a regularisation plan to meet its obligations pursuant to GN 3 of the Listing Requirements of Bursa Securities.

The Directors had not performed a detailed assessment on the Group's and the Company's ability to continue as a going concern, and we were not made available of any management's plan to deal with these events or conditions. We were unable to obtain sufficient appropriate audit evidence regarding the ability of the Group and of the Company to achieve sustainable and viable operations and to generate adequate cash flows for its operating activities. Accordingly, we are unable to satisfy ourselves as to whether the use of going concern basis in the preparation of the financial statements of the Group and of the Company is appropriate. Had the going concern basis used in the preparation of the financial statements of the Group and of the Company is considered inappropriate, adjustments relating to the amounts and classifications of assets and liabilities may be required.

### Disclaimer of Opinion

Because of the significant of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis of an audit opinion. Accordingly, we do not express an opinion on the financial statements."

The Group and the Company are now going concerns following the implementation of the regularisation plan.

## **A4 Segment information**

The Group has two (2) reportable segments:

- (a) Branded products – consist of peanut oil, blended oil, repackaged soybean oil and corn oil.; and
- (b) Non-branded products – consist of non-branded peanut oil and peanut protein cake.

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## A4 Segment information (continued)

As the Group's chief decision maker relies on internal reports which are similar to those currently disclosed externally, no further segment analysis is available for disclosure except for the following entity-wide disclosures as required by MFRS 8:

### Revenue by products

	Individual Period		Cumulative Period	
	Current Period from 1 Jul 2014 to 30 Sept 2014 RM'000	Preceding Corresponding Period from 1 Jul 2013 to 30 Sept 2013 RM'000	Current Period from 1 Jan 2014 to 30 Sept 2014 RM'000	Preceding Corresponding Period from 1 Jan 2013 to 30 Sept 2013 RM'000
<b>Revenue</b>				
Branded products	86,305	N/A	300,877	N/A
Non-branded products	126,745	N/A	425,233	N/A
	213,050	N/A	726,110	N/A

### Gross profits by products

<b>Gross Profits</b>				
Branded products	16,569	N/A	58,455	N/A
Non-branded products	16,088	N/A	54,014	N/A
	32,657	N/A	112,469	N/A

The Group's assets and liabilities are managed on a group-wide basis and are not allocated to any of the operating segments.

The Group's business is entirely operated within the People's Republic of China ("PRC"), and therefore no segment information based on geographical location is presented.

## A5 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence during the current financial quarter.

## A6 Material changes in estimates

There were no changes in estimates of amounts reported in a prior financial quarter/period or a prior financial year that have a material effect on the current financial quarter.

## A7 Seasonal or cyclical factors

Peanut (the Group's primary raw material) is an agricultural product and as such, its availability is determined by seasonality, weather conditions as well as other environmental factors. The Group's product lines which also include soybean oil and corn oil in addition to peanut oil to a certain degree reduce the seasonal and cyclicity effects.

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## **A8 Dividend paid**

No dividends have been paid during the current financial quarter and year-to-date.

## **A9 Carrying amount of revalued assets**

The Group does not have a policy of revaluing its property, plant and equipment.

## **A10 Debt and equity securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current financial quarter.

## **A11 Changes in the composition of the Group**

As explained in Note A14, the Company acquired a wholly-owned subsidiary, XingHe Marketing Sdn. Bhd. ("XMSB") during the current financial quarter.

Other than the above, there were no changes in the composition of the Group during the current financial quarter.

## **A12 Capital commitments**

There were no capital commitments as at 30 September 2014.

## **A13 Contingent liabilities and contingent assets**

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

## **A14 Material events during the period under review**

### Acquisition of XingHe Marketing Sdn. Bhd.

On 22 September 2014, the Company had acquired 2 ordinary shares of RM1.00 each in XMSB, representing 100% of the issued and paid-up capital of XMSB for a total cash consideration of RM2.00 only, resulting in XMSB becoming a wholly-owned subsidiary of the Company.

XMSB was incorporated on 2 September 2014 and its authorised share capital is RM400,000 comprising 400,000 ordinary shares of RM1.00 each. XMSB is currently dormant and its intended principal activities are trading and distribution of edible oil.

Other than the above, there were no material events during the current financial quarter under review.



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## A15 Material events subsequent to the end of the current financial quarter

### New Issue of Securities

As announced on 1 October 2014, the Company proposes to undertake the following:

- (a) proposed call option arrangement, whereby the Company will grant up to 2,340,000 call options to Macquarie Bank Limited (“Macquarie”) or its nominated group entity (“Macquarie Bank”), which entitles Macquarie Bank to subscribe for up to 234,000,000 new ordinary shares of RM0.10 each in the Company (“Shares”) (“Proposed Call Option Arrangement”); and
- (b) proposed bonus issue of up to 1,291,250,000 warrants in the Company (“Warrant(s)”), on the basis of one (1) Warrant for every two (2) existing Shares held by entitled shareholders on an entitlement date to be determined by the board of directors of XingHe (“Proposed Bonus Issue of Warrants”).

On 25 November 2014, the Company further announced that the Company and Macquarie had mutually agreed to terminate the letter of commitment and term sheet (“Term Sheet”) in relation to the Proposed Call Option Agreement. No definitive agreement was reached and no shares were issued under the proposed arrangement.

Notwithstanding the above, the Proposed Bonus Issue of Warrants shall proceed in the manner announced on 1 October 2014.

Other than the above, there were no material events subsequent to the end of the current financial quarter ended 30 September 2014 and up to the date of this report, which have not been reflected in this interim financial statements.

## A16 Significant Related Party Transactions

	Individual Period		Cumulative Period	
	Current Period from 1 Jul 2014 to 30 Sept 2014 RM'000	Preceding Corresponding Period from 1 Jul 2013 to 30 Sept 2013 RM'000	Current Period from 1 Jan 2014 to 30 Sept 2014 RM'000	Preceding Corresponding Period from 1 Jan 2013 to 30 Sept 2013 RM'000
Rental expense payable to a director	11	N/A	18	N/A

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There are no comparative figures for the individual and cumulative preceding corresponding periods as no interim financial statements were prepared for the financial periods concerned.

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## **B ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

### **B1 Review of performance**

The Group recorded revenue of RM213.1 million for the current financial quarter and RM726.1 million for the period from 1 January 2014 to 30 September 2014. The Group's gross profit margin for the current financial quarter and year-to-date was fairly consistent at about 15%. This was achieved due to tight control over the purchase cost of raw materials.

The Group recorded a profit from operations of RM21.8 million and RM85.4 million for the current financial quarter and year-to-date respectively. On completion of the Reverse Acquisition as detailed in Note A2.1(iv), the Group has to charge to its profit or loss a one-off reverse acquisition listing expense of RM29.6 million. As a consequence of this expense, the Group incurred a year-to-date net profit of RM32.1 million.

If not for the reverse acquisition listing expense, the Group would have achieved a year-to-date profit after tax of RM61.7 million.

No comparison of the current financial quarter's results can be made with that of the preceding financial year's corresponding quarter as the Group did not prepare any interim financial statements for the corresponding quarter concerned.

### **B2 Material change in profit before taxation**

The Group's revenue for the current financial quarter increased by 5% to RM213.1 million from that of RM202.9 million in the previous financial quarter. This was mainly attributed to the increase in sales volume in this current financial quarter.

The Group recorded a profit before taxation of RM21.4 million for the current financial quarter as compared to a loss before taxation of RM9.4 million in the previous financial quarter. The significant improvement was mainly attributed to (i) the increase in revenue for the current financial quarter and (ii) the recognition of a reverse acquisition listing expense amounting to RM29.6 million in the previous financial quarter following the completion of the Reverse Acquisition.

### **B3 Current year prospects**

The Group is confident that the rising disposable income and standard of living in the PRC as well as the increased health awareness among consumers will create a robust demand for high quality branded edible oil. The Group also seeks to expand further in its existing markets and bolster the sales of its branded oil through strengthening its market presence and brand recognition via marketing and branding campaigns.

Premised on the above and the Group's performance to-date, the Group is optimistic that it will deliver profitable results for the current financial year.

### **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.

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### B5 Income tax expense

Income tax expense comprises the following

	Individual Current Period from 1 Jul 2014 to 30 Sept 2014 RM'000	Cumulative Current Period from 1 Jan 2014 to 30 Sept 2014 RM'000
Income tax expense	5,669	22,405
Effective tax rate	26.5%	26.6%

The income tax expense is in relation to PRC income tax and is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate is 25% for the current quarter and financial year-to-date.

The effective tax rate for the individual and cumulative current period is calculated after excluding the reverse acquisition listing expense. Such rate is higher than the applicable income tax rate mainly due to the non-deductibility of certain expenses.

### B6 Status of corporate proposals announced

- (i) The utilisation of the gross proceeds from the private placement of 300 million new ordinary shares of RM0.10 each to selected investors at an issue price of RM0.20 is as follows:

<u>Purposes</u>	<u>Estimated timeframe for utilisation from 24 April 2014</u>	<u>Proposed utilitsation</u> (RM'000)	<u>Actual utilisation up to 18 November 2014</u> (RM'000)
i) Branding	Within 24 months	23,600	16,188
ii) Marketing	Within 12 months	23,600	18,787
iii) Defraying estimated expenses	Immediate	7,600	7,304
iv) Working capital	On-going	5,200	2,883
Total		60,000	45,162

- (ii) As disclosed in the Company's Circular To Shareholders dated 4 March 2014 in connection with the regularisation plan, Testa Holdings Limited has unconditionally and irrevocably guaranteed that the audited profit after tax of its subsidiary, Henan Xinghe Oil and Fat Company Limited ("Henan Xinghe") shall not be less than the sum of RMB135 million (approximately RM71.87 million based on the exchange rate of RMB1:RM0.5324 as at 30 September 2014) for each of the three (3) financial years ended ("FYE") 31 December 2013, 2014 and 2015.

Based on the audited financial statements of Henan Xinghe for the FYE 31 December 2013, Henan Xinghe recorded a profit after tax of RMB152.7 million (approximately RM81.3 million based on the exchange rate of RMB1:RM0.5324 as at 30 September 2014), hence the profit guarantee for the FYE 31 December 2013 is met.

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## **B6 Status of corporate proposals announced (continued)**

(iii) On 1 October 2014, the Company announced the following proposals:

- (a) Proposed Call Option Arrangement; and
- (b) Proposed Bonus Issue of Warrants.

Kindly refer to Note A15 for further information on the status of the abovementioned proposals.

## **B7 Borrowings and debt securities**

The Group's borrowings as at 30 September 2014 are as follows:

	RM'000
<b>NON-CURRENT</b>	
Unsecured borrowings	<b>22,361</b>

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All the borrowings are denominated in RMB, the functional currency of the primary operating subsidiary in the PRC.

The above borrowings consisting of two (2) separate loan agreements with Henan Agric. Synthesis Exploitation Company were extended on 10 March 2014 for another three (3) years to 17 March 2017 with all terms remaining unchanged.

## **B8 Material litigation**

The Group has no material litigations pending as of 18 November 2014.

## **B9 Dividend payable**

No dividend has been declared or recommended during the current financial quarter.

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### B10 Earnings per share

#### (a) Basic earnings per share

The basic earnings per share is 0.61sen and 1.75sen for this current financial quarter and year-to-date respectively.

Basic earnings per share is calculated by dividing the net profit for the financial period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Individual Current Period from 1 Jul 2014 to 30 Sept 2014	Cumulative Current Period from 1 Jan 2014 to 30 Sept 2014
Earnings for the period attributable to owners of the Company (RM'000)	14,228	26,164
Weighted average number of ordinary shares in issue ('000)	2,348,500	1,493,555

#### (b) Diluted earnings per share

The Company does not have any convertible securities as at the reporting date and therefore, the diluted earnings per share is the same as the basic earnings per share.

### B11 Profit before tax

Profit before tax is derived after taking into account of the following income/(expenses) items:

	Individual Current Period from 1 Jul 2014 to 30 Sept 2014 RM'000	Cumulative Current Period from 1 Jan 2014 to 30 Sept 2014 RM'000
Interest income	135	641
Other income	-	-
Interest expenses	(420)	(1,266)
Depreciation and amortisation	(810)	(2,736)
Provision for and write off of receivables	-	-
Provision for and write off of inventories	-	-
Gain or loss on disposal of quoted or unquoted investments or properties	-	-
Impairment of assets	-	-
Foreign exchange gain or loss	-	-
Gain or loss on derivatives	-	-
Exceptional items: Reverse acquisition listing expense	-	(29,582)

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## B12 Realised and unrealised profits/losses

	30 Sept 2014	31 Dec 2013
	RM'000	RM'000
Total retained earnings of the Group		
- Realised	157,480	141,985
- Unrealised	-	-
	<hr/>	<hr/>
	157,480	141,985
Consolidation adjustments	(5,970)	(16,639)
	<hr/>	<hr/>
	151,510	125,346
	<hr/>	<hr/>

By Order of the Board

Datuk Tan Leh Kiah  
Lim Chien Joo  
Company Secretaries  
25 November 2014

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## APPENDIX I - Consolidated Statement of Profit or Loss and Other Comprehensive Income

	31 Jan 2013 RM'000
<b>Continuing operations</b>	
<b>Revenue</b>	-
Cost of sales	-
<b>Gross profit</b>	-
Other income	76
Administrative expenses	(1,195)
Other expenses	(2,730)
Finance costs	(51)
<b>Loss before tax</b>	(3,900)
Income tax expense	-
Loss from continuing operations, net of tax	(3,900)
<b>Discontinued operations</b>	
Loss from discontinued operations, net of tax	(2,384)
<b>Loss for the year</b>	(6,284)
<b>Other comprehensive income</b>	
Realisation of reserve upon disposal of assets held for sale	1,353
	(4,931)
Loss per share attributable to owners of the Company	
- Basic (sen)	(4.23)

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## APPENDIX II - Consolidated Statement of Financial Position

	31 Jan 2013
	RM'000
	(Audited)
<b>NON-CURRENT ASSETS</b>	
Property, plant and equipment	18
	18
<b>CURRENT ASSETS</b>	
Trade and other receivables	252
Tax receivables	49
Cash and bank balances	9
	310
<b>TOTAL ASSETS</b>	328
<b>EQUITY AND LIABILITIES</b>	
Equity attributable to owners of the Company	
Share capital	14,850
Share premium	409
Retained earnings	(17,197)
Equity attributable to owners of the Company	(1,938)
<b>TOTAL EQUITY</b>	(1,938)
<b>NON-CURRENT LIABILITIES</b>	
Borrowings	-
	-
<b>CURRENT LIABILITIES</b>	
Trade and other payables	1,487
Provision for liabilities	-
Deferred revenue	-
Borrowings	779
	2,266
Liabilities for subsidiaries held for sale	-
<b>TOTAL LIABILITIES</b>	2,266
<b>TOTAL EQUITY AND LIABILITIES</b>	328
Net liabilities per share (RM)	(0.01)



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### APPENDIX III - Consolidated Statement of Changes in Equity

	Share capital RM'000	Share premium RM'000	Reserve classified as held for sale RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 February 2012	14,850	409	(1,353)	(7,346)	2,993
Total comprehensive income	-		1,353	(6,284)	(4,931)
<b>At 31 January 2013</b>	<b>14,850</b>	<b>409</b>		<b>(17,197)</b>	<b>(1,938)</b>

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## APPENDIX IV - Consolidated Statement of Cash Flows

	31 Jan 2013 RM'000 (Audited)
<b>Cash flows from operating activities</b>	
Loss before tax from continuing operations	(3,900)
Loss before tax from discontinued operations	(2,384)
<b>Loss before tax, total</b>	<b>(6,284)</b>
Adjustment for:	
Interest expenses	51
Bad debts written off	441
Impairment loss on receivables	2,395
Depreciation on property, plant and equipment	7
Gain on disposal of property, plant and equipment	(76)
Loss on disposal of assets held for sale	1,298
Impairment on assets held for sales	1,086
<b>Operating loss before working capital changes</b>	<b>(1,082)</b>
Changes in current assets and liabilities	
Trade and other receivables	(726)
Trade and other payables	(638)
<b>Cash flows used in operations</b>	<b>(2,446)</b>
Interest paid	(51)
<b>Net cash used in operating activities</b>	<b>(2,497)</b>
<b>Cash flows from investing activities</b>	
Proceeds from disposal of property, plant and equipment	129
Proceeds from disposal of assets held for sale	2,927
<b>Net cash generated from investing activities</b>	<b>3,056</b>
<b>Cash flows from financing activities</b>	
Payment of finance lease payables	(131)
<b>Net cash used in financing activities</b>	<b>(131)</b>
<b>Net increase in cash and cash equivalents</b>	<b>428</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>(1,198)</b>
<b>Cash and cash equivalents at end of period</b>	<b>(770)</b>
<b>Cash and cash equivalents comprise the following</b>	
Cash and bank balances	9
Bank overdraft	(779)
	<b>(770)</b>