



XingHe Holdings Berhad

(Company No. 643114-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2015

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XingHe Holdings Berhad

(Company No. 643114-X)

(Incorporated in Malaysia)

Interim Financial Statements for the Financial Period Ended 31 March 2015

Consolidated Statement of Profit or Loss (Unaudited)

	Notes	Individual Period		Cumulative Period	
		Current Period from 1 Jan 2015 to 31 Mar 2015 RM'000	Preceding Corresponding Period from 1 Jan 2014 to 31 Mar 2014 RM'000 (Note 1)	Current Period from 1 Jan 2015 to 31 Mar 2015 RM'000	Preceding Corresponding Period from 1 Feb 2013 to 31 Mar 2014 RM'000 (Note 2)
Revenue	A4	388,237	-	388,237	-
Cost of sales		(320,369)	-	(320,369)	-
Gross profit		67,868	-	67,868	-
Other income		3,474	-	3,474	-
Selling and distribution costs		(5,658)	-	(5,658)	-
Administrative expenses		(4,995)	(4,406)	(4,995)	(5,308)
Profit/(loss) from operations		60,689	(4,406)	60,689	(5,308)
Finance costs		(463)	-	(463)	-
Profit/(loss) before tax	B11	60,226	(4,406)	60,226	(5,308)
Income tax expense	B5	(14,433)	-	(14,433)	-
Profit/(loss) for the period		45,793	(4,406)	45,793	(5,308)
Attributable to:					
Owners of the Company		41,949	(4,406)	41,949	(5,308)
Non-controlling interest		3,844	-	3,844	-
		45,793	(4,406)	45,793	(5,308)
Earnings/(loss) per share attributable to owners of the Company					
- Basic (sen)	B10	1.79	(2.97)	1.79	(3.57)

Note 1:

The comparative figures for the individual preceding year's corresponding period are prior to the completion of the reverse acquisition of the Group by Supreme Global Group Limited ("SGGL") ("Reverse Acquisition") as explained in Note 5 to the audited financial statements for the financial period ended 31 December 2014.

Note 2:

The comparative figures for the preceding year's corresponding year to-date were in respect of the financial period from 1 February 2013 to 31 March 2014. The financial year-end of the Company was changed from 31 January 2014 to 31 December 2014 on 13 December 2013.

The Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the financial period ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial statements.

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Consolidated Statement of Other Comprehensive Income (Unaudited)

	Individual Period		Cumulative Period	
	Current Period from 1 Jan 2015 to 31 Mar 2015 RM'000	Preceding Corresponding Period from 1 Jan 2014 to 31 Mar 2014 RM'000 (Note 1)	Current Period from 1 Jan 2015 to 31 Mar 2015 RM'000	Preceding Corresponding Period from 1 Feb 2013 to 31 Mar 2014 RM'000 (Note 2)
Profit/(loss) for the period	45,793	(4,406)	45,793	(5,308)
Other comprehensive income				
Foreign currency translation	22,546	-	22,546	-
Total comprehensive income for the period	68,339	(4,406)	68,339	(5,308)
Attributable to:				
Owners of the Company	64,612	(4,406)	64,612	(5,308)
Non-controlling interest	3,727	-	3,727	-
	68,339	(4,406)	68,339	(5,308)

Note 1:

The comparative figures for the individual preceding year's corresponding period are prior to the completion of the Reverse Acquisition as explained in Note 5 to the audited financial statements for the financial period ended 31 December 2014.

Note 2:

The comparative figures for the preceding year's corresponding year to-date were in respect of the financial period from 1 February 2013 to 31 March 2014. The financial year-end of the Company was changed from 31 January 2014 to 31 December 2014 on 13 December 2013.

The Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial period ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial statements.

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Consolidated Statement of Financial Position

	Notes	31 Mar 2015 RM'000 Unaudited	31 Dec 2014 RM'000 Audited
NON-CURRENT ASSETS			
Property, plant and equipment	A9	22,413	21,618
Land use rights		12,147	11,508
		34,560	33,126
CURRENT ASSETS			
Inventories		24,371	29,705
Trade and other receivables		217,436	161,580
Cash and bank balances		215,689	192,931
		457,496	384,216
TOTAL ASSETS		492,056	417,342
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	A10	234,850	234,850
Reserves		178,984	114,372
		413,834	349,222
Non-controlling interest		33,455	29,728
TOTAL EQUITY		447,289	378,950
NON-CURRENT LIABILITIES			
Other payable		3,176	2,985
Borrowings	B7	25,392	23,876
Deferred tax liabilities		2,263	2,263
		30,831	29,124
CURRENT LIABILITIES			
Trade and other payables		10,267	7,107
Government grant		1,614	1,597
Current tax liabilities		2,055	564
		13,936	9,268
TOTAL LIABILITIES		44,767	38,392
TOTAL EQUITY AND LIABILITIES		492,056	417,342

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Consolidated Statement of Financial Position (Continued)

	31 Mar 2015	31 Dec 2014
	RM	RM
	Unaudited	Audited
Net assets per share	0.19	0.16

The Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial period ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial statements.

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Consolidated Statement of Changes in Equity (Unaudited)

	Attributable to the owners of the Company							Total RM'000	Non- controlling interest RM'000	Total RM'000
	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Statutory reserve RM'000	Reverse acquisition reserve RM'000	Foreign exchange reserve RM'000	(Accumulated losses)/ retained earnings RM'000			
At 1 February 2013	14,850	409	-	-	-	-	(17,197)	(1,938)	-	(1,938)
Total comprehensive loss	-	-	-	-	-	-	(5,308)	(5,308)	-	(5,308)
At 31 March 2014	14,850	409	-	-	-	-	(22,505)	(7,246)	-	(7,246)
At 1 January 2015	234,850	50,409	3,983	18,901	(154,550)	34,180	161,449	349,222	29,728	378,950
Profit for the period	-	-	-	-	-	-	41,949	41,949	3,844	45,793
Foreign currency translation	-	-	-	-	-	22,663	-	22,663	(117)	22,546
Total comprehensive income	-	-	-	-	-	22,663	41,949	64,612	3,727	68,339
At 31 March 2015	234,850	50,409	3,983	18,901	(154,550)	56,843	203,398	413,834	33,455	447,289

The comparative figures for the preceding year's corresponding year to-date were in respect of the financial period from 1 February 2013 to 31 March 2014. The financial year-end of the Company was changed from 31 January 2014 to 31 December 2014 on 13 December 2013.

The Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial period ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial statements.

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Consolidated Statement of Cash Flows (Unaudited)

	Current Period from 1 Jan 2015 to 31 Mar 2015 RM'000	Preceding Period from 1 Feb 2013 to 31 Mar 2014 RM'000 (Note 1)
Cash flows from operating activities		
Profit/(loss) before tax	60,226	(5,308)
Adjustments for:		
Finance costs	463	90
Interest income	(167)	-
Government grant	(82)	-
Depreciation of property, plant and equipment	926	-
Amortisation of prepaid land lease payments	89	-
Unrealised foreign exchange gain	(3,224)	-
Operating profit/(loss) before working capital changes	58,231	(5,218)
Changes in working capital		
Inventories	7,220	-
Trade and other receivables	(30,140)	152
Trade and other payables	(10,693)	5,958
Cash flows generated from operations	24,618	892
Interest paid	(463)	(90)
Income tax paid	(13,432)	-
Net cash generated from operating activities	10,723	802
Cash flows from investing activities		
Additions of property, plant and equipment	(377)	-
Interest income	167	-
Net cash used in investing activities	(210)	-
Net increase in cash and cash equivalents	10,513	802
Effects of exchange rate changes on cash and cash equivalents	12,245	-
Cash and cash equivalents at beginning of year	192,931	(770)
Cash and cash equivalents at end of period	215,689	32

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Consolidated Statement of Cash Flows (Unaudited) (Continued)

	Current Period from 1 Jan 2015 to 31 Mar 2015 RM'000	Preceding Period from 1 Feb 2013 to 31 Mar 2014 RM'000 (Note 1)
Cash and cash equivalents comprise the following:		
Cash and bank balances	215,689	32

Note 1:

The comparative figures for the preceding year's corresponding year to-date were in respect of the financial period from 1 February 2013 to 31 March 2014.

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

The Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial period ended 31 December 2014 and the accompanying explanatory notes attached to this interim financial statements.

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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 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 period ended 31 December 2014 and the explanatory notes attached to the interim financial statements.

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 (“Group”) since the financial period ended 31 December 2014.

The accounting policies and methods of computation adopted in the interim financial statements are consistent with those adopted in the audited financial statements of the Company for the financial period ended 31 December 2014 except for the changes in accounting policies and presentation resulting from the adoption of new and revised MFRSs and amendments to MFRSs that are effective for financial periods beginning on or after 1 January 2015.

A2 Significant Accounting Policies

The Group has not adopted the following new MFRSs and amendments to MFRSs issued by the Malaysian Accounting Standards Board:

Title	Effective Date
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	1 January 2016
Amendments to MFRS 16 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation of Amortisation</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRS <i>Annual Improvements to 2012 – 2014 Cycle</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2017
MFRS 9 <i>Financial Instruments (IFRS 9 as issued by IASB in July 2014)</i>	1 January 2018

MFRS 10, 11, 14, 116, 127, 128 and 141 are not applicable to the Group’s existing operations.

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A2 Significant Accounting Policies (continued)

Save and except for the possible impact on the adoption of MFRS 9 in the period of initial application which cannot be determined at present, the adoption of the rest of the above applicable pronouncements will have no material impact on the Group.

A3 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial period ended 31 December 2014 was not qualified.

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.

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:

	Individual Period		Cumulative Period	
	Current Period from 1 Jan 2015 to 31 Mar 2015 RM'000	Preceding Corresponding Period from 1 Jan 2014 to 31 Mar 2014 RM'000	Current Period from 1 Jan 2015 to 31 Mar 2015 RM'000	Preceding Corresponding Period from 1 Jan 2014 to 31 Mar 2014 RM'000
Revenue by products				
Revenue				
Branded products	146,591	-	146,591	-
Non-branded products	241,646	-	241,646	-
	388,237	-	388,237	-
Gross profit by products				
Gross Profit				
Branded products	34,788	-	34,788	-
Non-branded products	33,080	-	33,080	-
	67,868	-	67,868	-

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 as such, segment information based on geographical location of customers and assets is not presented.

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A5 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 financial quarter and year-to-date.

A6 Changes in estimates

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

A7 Seasonality or cyclicity of operations

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.

A8 Dividend paid

No dividend was paid during the current financial quarter and year-to-date.

A9 Valuation of Property, Plant and Equipment

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

A10 Debt and equity securities

During the current financial quarter, the Company issued 1,174,250,000 bonus warrants for every two existing ordinary shares in the Company. Each of these warrants entitled the holder to subscribe for one new ordinary share in the Company at 10 sen per share during the exercise period expiring on 22 March 2019. These warrants were admitted to the Official List and quoted on the ACE Market of Bursa Securities on 30 March 2015.

Save for the above, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current financial quarter and year-to-date.

A11 Changes in the composition of the Group

There were no changes in the composition of the Group during the current financial quarter.

A12 Capital commitments

At the end of the current financial quarter, the Group has no capital commitments.

A13 Contingent liabilities and contingent assets

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

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A14 Material events subsequent to the end of the current financial quarter

On 31 March 2015, the Company entered into an exclusive agreement with Arab Supplier Fabrication and Retail Sdn. Bhd. to form a 50:50 joint venture company to set-up a manufacturing facility in Malaysia to blend, process, pack and distribute peanut and other edible oils for the Hashemite Kingdom of Jordan, other Middle Eastern and African markets. This agreement has yet to be completed as of 22 May 2015.

Other than the above, there were no material events subsequent to the end of the current financial quarter, which have not been reflected in the interim financial statements.

A15 Significant Related Party Transactions

	Individual Period		Cumulative Period	
	Current Period from 1 Jan 2015 to 31 Mar 2015 RM'000	Preceding Corresponding Period from 1 Jan 2014 to 31 Mar 2014 RM'000	Current Period from 1 Jan 2015 to 31 Mar 2015 RM'000	Preceding Corresponding Period from 1 Feb 2013 to 31 Mar 2014 RM'000
Rental expense payable to a director	11	13	11	53

The comparative figures for the preceding year's corresponding year to-date were in respect of the financial period from 1 February 2013 to 31 March 2014. The financial year-end of the Company was changed from 31 January 2014 to 31 December 2014 on 13 December 2013.

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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 RM388.2 million for the current financial quarter. The Group's gross profit margin for the current financial quarter was 17.5%. This was an improvement over that of 15.8% for the calendar year 2014 and was achieved on the back of higher average selling prices of branded products as well as non-branded products which increased by 5.1% and 7.1% respectively over those of the calendar year 2014. In Ringgit Malaysia ("RM") terms, these percentages were 15.4% and 17.6% respectively, the differential being due to the appreciation of Renminbi ("RMB") against RM. Higher volumes of produce sold, lower average cost of input raw materials and the strong seasonal demand for edible oil due to the Chinese New Year festivities during the current financial quarter were also contributory factors to the higher profit.

As a consequence of the above, the Group recorded a profit before tax of RM60.2 million for the current financial quarter.

The current financial quarter's results are not comparable with those of the preceding financial year's corresponding quarter as the Group's current business arose from the reverse acquisition of the Group by SGGL which was only completed on 29 April 2014.

B2 Comments on material changes in profit before taxation

The Group's revenue for the current financial quarter increased by 52.0% to RM388.2 million from that of RM255.5 million in the preceding financial quarter. The reasons for this massive increase in revenue were the same as those detailed above in Note B1.

All of the said reasons lead to an expansion of the gross margin quarter-on-quarter ("QoQ") from 20.8% to 23.7% for branded products. The gross margin of 13.7% for non-branded products during the current financial quarter was marginally better than that of 13.1% achieved in the preceding financial quarter.

The Group's profit before tax for the current financial quarter increased to RM60.2 million from that of RM16.7 million in the preceding financial quarter. This increase in profitability was mainly attributed to higher revenue, gross margin increases as well as reduced net operating expenses (drop of RM17.9 million QoQ). The stronger RMB vis-à-vis RM was another a contributory factor.

B3 Commentary on 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's marketing and branding campaigns to expand further its existing markets and to strengthen its market presence and brand recognition are bearing fruits. Volume sold, average selling prices and gross margins for the current financial quarter are in the main higher than those achieved in the calendar year 2014. As the Group's operations are entirely based in PRC, the current parity between RMB against RM if maintained will, ceteris paribus, benefit the Group.

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B3 Commentary on prospects (continued)

Premised on the above, the Group is optimistic that it will be able to deliver a satisfactory performance 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.

B5 Income tax expense

	Individual Current Period from 1 Jan 2015 to 31 Mar 2015 RM'000	Cumulative Current Period from 1 Jan 2015 to 31 Mar 2015 RM'000
Current quarter expense:		
PRC income tax	14,433	14,433
Effective income tax rate	24.0%	24.0%

The Group's effective PRC income tax rate for the current financial quarter and year-to-date is lower than the applicable PRC's income tax rate of 25% due to the non-taxability of unrealised foreign currency gains.

B6 Status of corporate proposals announced

There were no other corporate proposals announced but not completed as at 22 May 2015.

The on-going post-completion matters arising from the Group's regularisation plan completed on 29 April 2014 were as follows:

- (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 utilisation (RM'000)</u>	<u>Actual utilisation up to 22 May 2015 (RM'000)</u>
Branding	Within 24 months	23,600	16,188
Marketing	Within 12 months	23,600	23,600
Defraying estimated expenses	Immediate	7,600	7,600
Working capital	On-going	5,200	5,200
Total		60,000	52,588

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B6 Status of corporate proposals announced (continued)

- (ii) Pursuant to Share Sale Agreement of 23 May 2013 (as varied by the Supplemental agreement of 8 January 2014 in relation to the acquisition of SGGL by the Company, Testa Holdings Limited has unconditionally and irrecoverably guaranteed that the audited profit after tax of Henan XingHe Oil and Fat Company Limited (“Henan XingHe”) shall not be less than the sum of RMB135 million (approximately RM79.1 million based on the exchange rate of RMB1:RM0.5861 as at 31 March 2015) for each of the three financial years ended/ending (“FYE”) 31 December 2013, 2014 and 2015.

Henan XingHe has recorded audited profit after tax of RMB152.7 million and RMB149.6 million (approximately RM82.2 million and RM85.0 million respectively, based on the respective exchange rates of RMB1:RM0.5383 as at 31 December 2013 and RMB1:RM0.5685 as at 31 December 2014) for FYE 31 December 2013 and 2014 respectively, and henceforth the profit guarantee for these FYEs were met.

B7 Borrowings and debt securities

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

	RM'000
NON-CURRENT	
Unsecured borrowings	25,392

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

B8 Material litigation

The Group has no material litigations pending as of 22 May 2015.

B9 Dividends payable

No dividend has been declared or recommended for the current financial quarter and year-to-date.

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B10 Earnings per share

(a) Basic earnings per share

The basic earnings per share is 1.79 sen for the current financial quarter and the year-to-date and is derived as follows:

	Individual Current Period from 1 Jan 2015 to 31 Mar 2015	Cumulative Current Period from 1 Jan 2015 to 31 Mar 2015
Earnings for the period attributable to owners of the Company (RM'000)	41,949	41,949
Weighted average number of ordinary shares in issue ('000)	2,348,500	2,348,500

(b) Diluted earnings per share

The diluted earnings per share is the same as the basic earnings per share as the average market price of the ordinary shares during the current financial quarter was mostly lower than the exercise price of the warrants and accordingly, the warrants have no dilutive effect on the earnings per share. The Company has no other dilutive potential ordinary shares in issue as at the end of the current financial quarter.

B11 Profit before tax

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

	Individual Current Period from 1 Jan 2015 to 31 Mar 2015 RM'000	Cumulative Current Period from 1 Jan 2015 to 31 Mar 2015 RM'000
Interest income	167	167
Government grant	82	82
Other income	-	-
Interest expenses	(463)	(463)
Depreciation and amortisation	(1,014)	(1,014)
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	-	-
Unrealised foreign exchange gain	3,224	3,224

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B12 Supplementary information disclosed pursuant to Bursa Securities' Listing Requirements

The determination of realized and unrealized profits is based on the Guidance of Special Matter No. 1 Determination of Realised and Unrealised Profits or Losses in the context of Disclosure pursuant to Bursa Securities' Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010:

	As at 31 Mar 2015 RM'000	As at 31 Dec 2014 RM'000
Total retained earnings of the Group		
- Realised	206,144	166,281
- Unrealised	3,224	1,138
	209,368	167,419
Consolidation adjustments	(5,970)	(5,970)
	203,398	161,449

The above disclosure is solely for complying with the disclosure requirement as stipulated in the said Bursa Securities' directive and should not be applied for any other purposes.

By Order of the Board

Datuk Tan Leh Kiah
Lim Chien Joo
Company Secretaries

29 May 2015