



XingHe Holdings Berhad

(Company No. 643114-X)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 MARCH 2016

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XingHe Holdings Berhad

(Company No. 643114-X)

(Incorporated in Malaysia)

Interim Financial Statements for the Financial Period Ended 31 March 2016

Consolidated Statement of Profit or Loss (Unaudited)

	Notes	Individual Period		Cumulative Period	
		Current Period from 1 Jan 2016 to 31Mar 2016 RM'000	Preceding Corresponding Period from 1 Jan 2015 to 31Mar 2015 RM'000	Current Period from 1 Jan 2016 to 31 Mar 2016 RM'000	Preceding Corresponding Period from 1 Jan 2015 to 31 Mar 2015 RM'000
Revenue	A4	295,282	388,237	295,282	388,237
Cost of sales		(259,284)	(320,369)	(259,284)	(320,369)
Gross profit		35,998	67,868	35,998	67,868
Other income		296	3,474	296	3,474
Selling and distribution costs		(4,306)	(5,658)	(4,306)	(5,658)
Administrative expenses		(8,021)	(4,995)	(8,021)	(4,995)
Finance costs		(504)	(463)	(504)	(463)
Profit before tax	B11	23,463	60,226	23,463	60,226
Income tax expense	B5	(6,583)	(14,433)	(6,583)	(14,433)
Profit for the period		16,880	45,793	16,880	45,793
Attributable to:					
Owners of the Company		14,866	41,949	14,866	41,949
Non-controlling interest		2,014	3,844	2,014	3,844
		16,880	45,793	16,880	45,793
Earnings per share attributable to owners of the Company					
- Basic (sen)	B10	0.63	1.79	0.63	1.79

The Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 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 2016 to 31 Mar 2016 RM'000	Preceding Corresponding Period from 1 Jan 2015 to 31Mar 2015 RM'000	Current Period from 1 Jan 2016 to 31 Mar 2016 RM'000	Preceding Corresponding Period from 1 Jan 2015 to 31 Mar 2015 RM'000
Profit for the period	16,880	45,793	16,880	45,793
Other comprehensive (loss)/income				
Foreign currency translation	(41,354)	22,546	(41,354)	22,546
Total comprehensive (loss)/income for the period	(24,474)	68,339	(24,474)	68,339
Attributable to:				
Owners of the Company	(26,577)	64,612	(26,577)	64,612
Non-controlling interest	2,103	3,727	2,103	3,727
	(24,474)	68,339	(24,474)	68,339

The Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to this interim financial statements.

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Consolidated Statement of Financial Position

	Notes	31 Mar 2016 RM'000 Unaudited	31 Dec 2015 RM'000 Audited
NON-CURRENT ASSETS			
Property, plant and equipment		19,773	22,301
Land use rights		11,799	12,993
		31,572	35,294
CURRENT ASSETS			
Inventories		37,995	20,165
Advances for peanut purchases		66,600	72,774
Trade and other receivables		192,235	256,194
Current tax assets		4,795	9
Cash and bank balances		213,942	199,142
		515,567	548,284
TOTAL ASSETS		547,139	583,578
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	A9	234,850	234,850
Reserves		227,710	254,287
		462,560	489,137
Equity attributable to owners of the Company		462,560	489,137
Non-controlling interest		42,426	40,323
TOTAL EQUITY		504,986	529,460
NON-CURRENT LIABILITIES			
Trade and other payables		3,180	3,475
Borrowings	B7	-	27,786
Deferred tax liabilities		1,729	1,890
		4,909	33,151
CURRENT LIABILITIES			
Trade and other payables		8,107	13,678
Borrowings	B7	25,429	-
Amount due to directors		2,432	2,289
Government grant		1,276	1,487
Current tax liabilities		-	3,513
		37,244	20,967
TOTAL LIABILITIES		42,153	54,118
TOTAL EQUITY AND LIABILITIES		547,139	583,578

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Consolidated Statement of Financial Position (Continued)

	31 Mar 2016	31 Dec 2015
	Unaudited	Audited
Net assets per share (sen)	21.5	22.5

The Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 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	Non-controlling Interests	Total
	Share capital	Share premium	Capital reserve	Statutory reserve	Reverse acquisition reserve	Exchange translation reserve	Retained earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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 year	-	-	-	-	-	-	41,949	41,949	3,844	45,793
Foreign currency translation	-	-	-	-	-	22,663	-	22,663	(117)	22,546
Total comprehensive loss	-	-	-	-	-	22,663	41,949	64,612	3,727	68,339
At 31 Mar 2015	234,850	50,409	3,983	18,901	(154,550)	56,843	203,398	413,834	33,455	447,289
At 1 January 2016	234,850	50,409	3,983	18,901	(154,550)	93,779	241,765	489,137	40,323	529,460
Profit for the period	-	-	-	-	-	-	14,866	14,866	2,014	16,880
Foreign currency translation	-	-	-	-	-	(41,443)	-	(41,443)	89	(41,354)
Total comprehensive income	-	-	-	-	-	(41,443)	14,866	(26,577)	2,103	(24,474)
At 31 Mar 2016	234,850	50,409	3,983	18,901	(154,550)	52,336	256,631	462,560	42,426	504,986

The Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 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 2016 to 31 Mar 2016 RM'000	Preceding Period from 1 Jan 2015 to 31 Mar 2015 RM'000
Cash flows from operating activities		
Profit before tax	23,463	60,226
Adjustments for:		
Finance costs	504	463
Interest income	(207)	(167)
Amortisation of government grant	(89)	(82)
Depreciation of property, plant and equipment	675	926
Amortisation of land use rights	95	89
Unrealised foreign exchange loss/(gain)	4,884	(3,224)
Operating profit before working capital changes	29,325	58,231
Changes in working capital		
Inventories	(19,541)	7,220
Trade and other receivables	23,113	(30,140)
Trade and other payables	13,203	(10,693)
Cash flows generated from operations	46,100	24,618
Interest paid	(504)	(463)
Income tax paid	(14,277)	(13,432)
Net cash generated from operating activities	31,319	10,723
Cash flows from investing activities		
Purchases of property, plant and equipment	(9)	(377)
Interest income	207	167
Net cash generated from/(used in) investing activities	198	(210)
Net increase in cash and cash equivalents	31,517	10,513
Effects of exchange rate changes on cash and cash equivalents	(16,717)	12,245
Cash and cash equivalents at beginning of period	199,142	192,931
Cash and cash equivalents at end of period	213,942	215,689

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Consolidated Statement of Cash Flows(Unaudited)(Continued)

	Current Period	Preceding Period
	from 1 Jan 2016	from 1 Jan 2015
	to 31 Mar 2016	to 31 Mar 2015
	RM'000	RM'000
Cash and cash equivalents comprise the following:		
Cash and bank balances	213,942	215,689

The Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial period year 31 December 2015 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 is unaudited and has 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 year ended 31 December 2015 and the explanatory notes attached to the interim financial statements.

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 2015.

The accounting policies and methods of computation used in the interim financial statements are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 December 2015 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 2016.

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
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS 9 as issued by IASB in July 2014)</i>	1 January 2018
MFRS 16 <i>Leases</i>	1 January 2019

The possible impact on the adoption of above pronouncements in the period of initial application cannot be determined at present.

A3 Auditors’ report on preceding annual financial statements

The auditors’ report on the financial statements for the financial year ended 31 December 2015 was not qualified.

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A4 Segment information

The Group has two reportable segments:

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

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 2016 to 31 Mar 2016 RM'000	Preceding Corresponding Period from 1 Jan 2015 to 31 Mar 2015 RM'000	Current Period from 1 Jan 2016 to 31 Mar 2016 RM'000	Preceding Corresponding Period from 1 Jan 2015 to 31 Mar 2015 RM'000
Revenue by products				
Revenue				
Branded products	108,712	146,591	108,712	146,591
Non-branded products	186,570	241,646	186,570	241,646
	295,282	388,237	295,282	388,237
Gross profit by products				
Gross Profit				
Branded products	18,240	34,788	18,240	34,788
Non-branded products	17,758	33,080	17,758	33,080
	35,998	67,868	35,998	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 the geographical location of customers is not presented.

A5 Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current financial year-to-date.

A6 Changes in estimates

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

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A7 Seasonality or cyclicity of operations

Peanut (the Group's primary input 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 Dividends paid

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

A9 Debt and equity securities

There were no issuances, cancellations, repurchases, resales and repayments of debt and equity securities during the current financial year-to-date.

A10 Changes in the composition of the Group

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

A11 Capital commitments

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

A12 Contingent liabilities and contingent assets

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

A13 Material events subsequent to the end of the current financial quarter

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

A14 Significant Related Party Transactions

The Group has no significant related party transactions during the current financial year-to-date.

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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 RM295.3 million for the current financial quarter (“CFQ”) and year-to-date (“YTD”). The Group’s gross profit margin for the CFQ and YTD was 12.2%. This was lower than that of 17.5% for the corresponding financial quarter and YTD last year.

The decrease in the CFQ’s gross profit year-on-year (“YoY”) was mainly caused by the drops of 14.2% and 7.8% in the respective average selling price of branded and non-branded products [in Renminbi (“RMB”) terms] and the decline in total sales volume by 22.0%. In RM terms, the YoY’s drop in the average selling price for branded products was 7.2% while the average selling price of non-branded products was more or less the same. These differentials between RMB and RM selling prices were due to the YoY’s appreciation of RMB against RM.

The Group’s profit before tax (“PBT”) meanwhile declined YoY by 61.0% to RM23.5 million for the CFQ and YTD. With overall operating expenses about the same for both quarters under review, this decrease in profitability was due mainly to the decrease in sales volume and average selling prices as mentioned earlier. It must also be noted the CFQ’s operating expenses include a foreign exchange loss of RM4.9 million caused by RMB depreciating 8.7% against RM during the CFQ.

B2 Comments on material changes in profit before taxation

The Group’s revenue for the CFQ increased to RM295.3 million from that of RM269.7 million in the preceding financial quarter. This increase was due to the seasonal demand for edible oil during the Lunar New Year festivities. This seasonality caused total sales volume to increase 25.2% on a quarter-on-quarter (“QoQ”) basis.

At the operating level and QoQ, the average selling price (in RMB terms) of branded products was down by 5.5% while that of unbranded products was down by 5.8%. These lower selling prices caused the gross profit margin to decrease from 12.9% for the previous financial quarter to 12.2% for the CFQ.

With lower selling prices offsetting the higher sales volume and despite a lower RMB vis-à-vis the RM, the Group still managed to increase its PBT for the CFQ to RM23.5 million from that of RM15.9 million in the preceding financial quarter (as announced on 29 February 2016). This increase in profitability was achieved on the back of reduced overall operating expenses QoQ.

B3 Commentary on prospects

PRC’s economy grew 6.7% YoY and a seasonally adjusted 1.1% QoQ in the first quarter of 2016, the slowest quarterly rise since 2010 (based on data from National Bureau of Statistics of China). These rates point to the fact that PRC’s economy still faces downward pressure. Premised on this, the outlook for the current financial year is expected to be challenging for the Group.

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B3 Commentary on prospects (continued)

For the financial quarter ending 30 June 2016, the Group's performance is expected to be lower YoY and QoQ as the production plant in Neihuang County was directed not to operate during May 2016 as part of the directive to temporary shutdown industrial production by the Central Government in Beijing to reduce smog and improve air quality in Beijing and its peripheral cities and provinces.

The RM has strengthened by 8.7% against RMB in the first quarter of the current financial year. As the Group's operations are based entirely in PRC and all transactions denominated in RMB, ceteris paribus, the RMB parity with RM will also have an impact on the Group's results YoY.

Despite the above negativities, the Group is optimistic that the second half of the current financial year should be much better than the first half.

The Group will continue with its marketing strategy to target selected geographical markets through competitive price positioning for sustainable and continuous growth in the long term.

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 quarter from 1 Jan 2016 to 31 Mar 2016 RM'000	Cumulative current year-to-date from 1 Jan 2016 to 31 Mar 2016 RM'000
Current quarter/year expense:		
PRC income tax	6,583	6,583
Effective PRC income tax rate	28.1%	28.1%

The differential between the Group's effective PRC income tax rate for the current financial quarter and year-to-date with the applicable PRC's income tax rate of 25% is mainly due to the non-deductibility of certain expenses for tax purposes.

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B6 Status of corporate proposals announced

Save for the post-completion matter as set out below arising from the Group's regularisation plan completed on 29 April 2014, there were no corporate proposals announced but not completed as at 23 May 2016.

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, TestaHoldings 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 RM81.9 million based on the exchange rate of RMB1:RM0.6064 as at 31 March 2016) for each of the three financial years ended ("FYE") 31 December 2013, 2014 and 2015.

Henan XingHe has recorded audited profit after tax of RMB152.7 million, RMB149.6 million and RMB148.2 million for FYE 31 December 2013, 2014 and 2015 respectively, and henceforth the profit guarantee for these FYEs was met.

B7 Borrowings and debt securities

The Group's borrowings as at 31 March 2016 are as follows:

	RM'000
CURRENT	
Unsecured borrowings	25,429

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

B8 Material litigation

The Group has no material litigation pending as of 23 May 2016.

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 of 0.63 sen for the current financial quarter and the year-to-date is derived as follows:

	Individual current quarter from 1 Jan 2016 to 31 Mar 2016	Cumulative current year-to-date from 1 Jan 2016 to 31 Mar 2016
Earnings for the period attributable to owners of the Company (RM'000)	14,866	14,866
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 lower than the exercise price of the warrants and accordingly, the effect of the assumed conversion of warrants outstanding will be anti-dilutive and 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 quarter from 1 Jan 2016 to 31 Mar 2016 RM'000	Cumulative current year-to-date from 1 Jan 2016 to 31 Mar 2016 RM'000
Interest income	207	207
Government grant	89	89
Other income	-	-
Interest expenses	(504)	(504)
Depreciation of property, plant and equipment	(675)	(675)
Amortisation of land use rights	(95)	(95)
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	-	-
Gain or loss on derivatives	-	-
Net foreign exchange gain or (loss)	(4,884)	(4,884)
Exceptional items (with details)	-	-

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B12 Supplementary information disclosed pursuant to Bursa Securities' Listing Requirements

The determination of realised and unrealised 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 the Listing Requirements, issued by the Malaysian Institute of Accountants:

	As at 31 Mar 2016	As at 31 Dec 2015
	RM'000	RM'000
Total retained earnings of the Group		
- Realised	250,661	234,024
- Unrealised	-	1,771
	250,661	235,795
Consolidation adjustments	5,970	5,970
	256,631	241,765

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

By Order of the Board

Datuk Tan LehKiah
Lim Chien Joo (Ms)
Company Secretaries

31 May 2016