



XingHe Holdings Berhad

(Company No. 643114-X)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 APRIL 2016 TO 30 JUNE 2016

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XingHe Holdings Berhad

(Company No. 643114-X)

(Incorporated in Malaysia)

Interim Financial Statements for the Financial Period Ended 30 June 2016

Consolidated Statement of Profit or Loss (Unaudited)

	Notes	Individual Period		Cumulative Period	
		Current Period from 1 Apr 2016 to 30 Jun 2016 RM'000	Preceding Corresponding Period from 1 Apr 2015 to 30 Jun 2015 RM'000	Current Period from 1 Jan 2016 to 30 Jun 2016 RM'000	Preceding Corresponding Period from 1 Jan 2015 to 30 Jun 2015 RM'000
Revenue	A4	93,018	239,722	388,300	627,959
Cost of sales		(87,033)	(197,921)	(346,317)	(518,290)
Gross profit		5,985	41,801	41,983	109,669
Other income		229	382	525	3,856
Selling and distribution costs		(5,155)	(21,956)	(9,461)	(27,614)
Administrative expenses		(5,230)	(5,144)	(13,251)	(10,139)
Finance costs		(495)	(479)	(999)	(942)
(Loss)/Profit before tax	B11	(4,666)	14,604	18,797	74,380
Income tax expense	B5	-	(3,775)	(6,583)	(18,208)
(Loss)/Profit for the period		(4,666)	10,829	12,214	56,622
Attributable to:					
Owners of the Company		(4,506)	9,820	10,360	51,769
Non-controlling interest		(160)	1,009	1,854	4,853
		(4,666)	10,829	12,214	56,622
(Loss)/Earnings per share attributable to owners of the Company					
- Basic (sen)	B10	(0.19)	0.42	0.44	2.20

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 Apr 2016 to 30 Jun 2016 RM'000	Preceding Corresponding Period from 1 Apr 2015 to 30 Jun 2015 RM'000	Current Period from 1 Jan 2016 to 30 Jun 2016 RM'000	Preceding Corresponding Period from 1 Jan 2015 to 30 Jun 2015 RM'000
(Loss)/Profit for the period	(4,666)	10,829	12,214	56,622
Other comprehensive income/(loss)				
Foreign currency translation	733	7,394	(40,621)	29,940
Total comprehensive (loss)/income for the period	(3,933)	18,223	(28,407)	86,562
Attributable to:				
Owners of the Company	(3,796)	17,285	(30,373)	81,897
Non-controlling interest	(137)	938	1,966	4,665
	(3,933)	18,223	(28,407)	86,562

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	30 Jun 2016 RM'000 Unaudited	31 Dec 2015 RM'000 Audited
NON-CURRENT ASSETS			
Property, plant and equipment		19,236	22,301
Land use rights		11,639	12,993
		30,875	35,294
CURRENT ASSETS			
Inventories		25,788	20,165
Advances for peanut purchases		66,212	72,774
Trade and other receivables		306,219	256,194
Current tax assets		2,029	9
Cash and bank balances		111,965	199,142
		512,213	548,284
TOTAL ASSETS		543,088	583,578
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	A9	234,850	234,850
Reserves		223,914	254,287
		458,764	489,137
Equity attributable to owners of the Company		458,764	489,137
Non-controlling interest		42,289	40,323
TOTAL EQUITY		501,053	529,460
NON-CURRENT LIABILITIES			
Trade and other payables		3,161	3,475
Borrowings	B7	-	27,786
Deferred tax liabilities		634	1,890
		3,795	33,151
CURRENT LIABILITIES			
Trade and other payables		8,549	13,678
Borrowings	B7	25,281	-
Amount due to directors		3,226	2,289
Government grant		1,184	1,487
Current tax liabilities		-	3,513
		38,240	20,967
TOTAL LIABILITIES		42,035	54,118
TOTAL EQUITY AND LIABILITIES		543,088	583,578

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Consolidated Statement of Financial Position (Continued)

	30 Jun 2016	31 Dec 2015
	Unaudited	Audited
Net assets per share (sen)	21.3	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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Interim Financial Statements for the Financial Period Ended 30 June 2016

Consolidated Statement of Changes in Equity (Unaudited)

	Attributable to the owners of the Company							Total RM'000	Non-controlling Interests 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	Exchange translation reserve RM'000	Retained earnings 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
Transactions with owners										
Dividend paid	-	-	-	-	-	-	(4,697)	(4,697)	-	(4,697)
Dividend paid to non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	(2,039)	(2,039)
Profit for the year	-	-	-	-	-	-	51,769	51,769	4,853	56,622
Foreign currency translation	-	-	-	-	-	30,128	-	30,128	(188)	29,940
Total comprehensive income	-	-	-	-	-	30,128	51,769	81,897	4,665	86,562
At 30 June 2015	234,850	50,409	3,983	18,901	(154,550)	64,308	208,521	426,422	32,354	458,776
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	-	-	-	-	-	-	10,360	10,360	1,854	12,214
Foreign currency translation	-	-	-	-	-	(40,733)	-	(40,733)	112	(40,621)
Total comprehensive loss	-	-	-	-	-	(40,733)	10,360	(30,373)	1,966	(28,407)
At 30 June 2016	234,850	50,409	3,983	18,901	(154,550)	53,046	252,125	458,764	42,289	501,053

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 30 Jun 2016 RM'000	Preceding Period from 1 Jan 2015 to 30 Jun 2015 RM'000
Cash flows from operating activities		
Profit before tax	18,797	74,830
Adjustments for:		
Finance costs	999	942
Interest income	(350)	(368)
Amortisation of government grant	(175)	(166)
Depreciation of property, plant and equipment	1,323	1,769
Amortisation of land use rights	188	179
Unrealised foreign exchange loss/(gain)	7,137	(3,322)
Operating profit before working capital changes	27,919	73,864
Changes in working capital		
Inventories	(7,441)	(16,920)
Trade and other receivables	(95,021)	59,253
Trade and other payables	17,409	(25,181)
Cash flows(used in)/generated from operations	(57,134)	91,016
Interest paid	(999)	(942)
Income tax paid	(15,038)	(18,925)
Net cash (used in)/generated from operating activities	(73,171)	71,149
Cash flows from investing activities		
Purchase of property, plant and equipment	(222)	(460)
Interest income	350	368
Net cash generated from/(used in) investing activities	128	(92)
Net (decrease)/increase in cash and cash equivalents	(73,043)	71,057
Effects of exchange rate changes on cash and cash equivalents	(14,134)	15,613
Cash and cash equivalents at beginning of period	199,142	192,931
Cash and cash equivalents at end of period	111,965	279,601

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Consolidated Statement of Cash Flows(Unaudited) (Continued)

	Current Period from 1 Jan 2016 to 30 Jun 2016 RM'000	Preceding Period from 1 Jan 2015 to 30 Jun 2015 RM'000
Cash and cash equivalents comprise the following:		
Cash and bank balances	111,965	279,601

The Consolidated Statement of Cash Flows 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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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 the 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 Apr 2016 to 30 Jun 2016 RM'000	Preceding Corresponding Period from 1 Apr 2015 to 30 Jun 2015 RM'000	Current Period from 1 Jan 2016 to 30 Jun 2016 RM'000	Preceding Corresponding Period from 1 Jan 2015 to 30 Jun 2015 RM'000
Revenue by products				
Revenue				
Branded products	14,464	109,331	123,176	255,922
Non-branded products	78,554	130,391	265,124	372,037
	93,108	239,722	388,300	627,959
Gross profit by products				
Gross Profit				
Branded products	2,055	25,430	20,295	60,218
Non-branded products	3,930	16,371	21,688	49,451
	5,985	41,801	41,983	109,669

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 the current financial year or 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 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 RM93.0 million and RM388.3 million for the current financial quarter (“CFQ”) and year-to-date (“YTD”) respectively. The Group’s gross profit margins for the CFQ and current YTD was 6.4% and 10.8% respectively. These margins were much lower than those of 17.4% and 17.5% achieved for the respective corresponding periods last year.

The decrease in the CFQ’s gross profit margin year-on-year (“YoY”) was caused by the YoY’s drops of 18.8% and 11.1% in the respective average selling price of branded and non-branded products [in Renminbi (“RMB”) terms]; decline in total sales volume by 46.2%; and the change in product mix (higher margin branded products’ revenue as a proportion of total revenue declined from 27.8% to 9.1% YoY.

The above declines in selling prices and sales volume, and the change in product mix were caused by the reduced demand for the Group’s products consequential to the economic slowdown in PRC. The shutdown of the production plant in Neihuang County during May 2016 as directed by the Central Government in Beijing (see Note B3 of the Quarterly Report for 31 March 2016) was also a contributory factor to the significant reduction in sales volume. In connection thereto, it must be noted that due to the said shutdown, normal production was only attained by mid-June 2016.

As a result of the above, the Group incurred an operating loss of RM4.7 million for the CFQ as compared to a profit before tax (“PBT”) of RM14.6 million for the corresponding financial quarter last year. For the current YTD, PBT was down 75.0% YoY. As for net operating expenses for the CFQ and current YTD, they were substantially lower by 60.3% and 33.9% YoY respectively.

B2 Comments on material changes in profit before taxation

The combo of lower selling prices and sales volume, change in product mix and the plant shutdown as described in Note B1 above caused the Group’s revenue for the CFQ to decrease to RM93.0 million from that of RM295.3 million in the preceding financial quarter.

QoQ, the average selling price (in RMB terms) of branded products was down by 5.9% while that of unbranded products was down by 12.3%. These lower selling prices together with the other reasons as mentioned earlier led to the gross profit margin decreasing from 12.2% for the previous financial quarter to 6.4% for the CFQ.

Despite net operating expenses decreasing from RM12.5 million to RM10.8 million QoQ, the mentioned adverse reasons were overwhelming and as a consequence, the Group recorded an operating loss of RM4.7 million for the CFQ as compared to the profit before tax of RM23.5 million in the preceding financial quarter.

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B3 Commentary on prospects

PRC's economy grew 6.7% and a seasonally 1.8% QoQ in the second quarter of 2016 (based on data from National Bureau of Statistics of China). Despite these growth rates, there are fears that PRC's economy is still losing steam as performance in retail sales and industrial output was lower than market expectations.

For the financial quarter ending 30 September 2016, the Group's performance is expected to be tepid YoY and QoQ as there will be a loss in productivity consequential to the Group's conversion of its peanut oil extraction machines from running on coal to natural gas in phases during August and September 2016. This is part of the "directive" by the Central Government in Beijing to reduce smog and improve air quality by reducing the use of coal as a primary source of energy.

For the first six months of the current financial year, RM has strengthened 8.4% against RMB. As the Group's operations are based entirely in PRC and all its transactions denominated in RMB, ceteris paribus, the RMB parity with RM in the second six months will have an impact on the Group's results for the period concerned.

Premised on the above, the Group envisaged that the operating conditions for the rest of the current financial year will be difficult and its performance is only likely to improve in the final quarter ending 31 December 2016.

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 Apr 2016 to 30 Jun 2016 RM'000	Cumulative current year-to-date from 1 Jan 2016 to 30 Jun 2016 RM'000
Current quarter/year expense:		
PRC income tax	-	6,583
<hr/>		
Effective PRC income tax rate	-	35.0%

The differential between the Group's effective PRC income tax rate for the current year-to-date with the applicable PRC's income tax rate of 25% is mainly due to the non-deductibility of unrealised foreign exchange loss for tax purposes.

B6 Status of corporate proposals announced

There were no corporate proposals announced but not completed as at 22 August 2016.

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B7 Borrowings and debt securities

The Group's borrowings as at 30 June 2016 are as follows:

	RM'000
CURRENT	
Unsecured borrowings	25,281

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 22 August 2016.

B9 Dividends payable

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

B10 Earnings per share

(a) Basic loss/earnings per share

The basic loss per share of 0.19 sen for the current financial quarter and basic earnings per share of 0.44 sen for the current financial year-to-date were derived as follows:

	Individual current quarter from 1 Apr 2016 to 30 Jun 2016	Cumulative current year-to-date from 1 Jan 2016 to 30 Jun 2016
(Loss)/Earnings for the period attributable to owners of the Company (RM'000)	(4,506)	10,360
Weighted average number of ordinary shares in issue ('000)	2,348,500	2,348,500

(b) Diluted loss/earnings per share

The diluted loss/earnings per share is the same as the basic loss/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.

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B11 Profit before tax

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

	Individual current quarter from 1 Apr 2016 to 30 Jun 2016 RM'000	Cumulative current year-to-date from 1 Jan 2016 to 30 Jun 2016 RM'000
Interest income	143	350
Government grant	86	175
Other income	-	-
Interest expenses	(495)	(999)
Depreciation of property, plant and equipment	(648)	(1,323)
Amortisation of land use rights	(93)	(188)
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)	(2,253)	(7,137)
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 30 Jun 2016	As at 31 Dec 2015
	RM'000	RM'000
Total retained earnings of the Group		
- Realised	238,228	234,024
- Unrealised	7,927	1,771
	246,155	235,795
Consolidation adjustments	5,970	5,970
	252,125	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

29 August 2016