



XingHe Holdings Berhad

(Company No. 643114-X)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MARCH 2017

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XingHe Holdings Berhad

(Company No. 643114-X)

(Incorporated in Malaysia)

Interim Financial Statements for the Financial Quarter Ended 31 March 2017

Consolidated Statement of Profit or Loss (Unaudited)

	Note	Individual Period		Cumulative Period	
		Current Period from 1 Jan 2017 to 31 Mar 2017 RM'000	Preceding Corresponding Period from 1 Jan 2016 to 31 Mar 2016 RM'000	Current Period from 1 Jan 2017 to 31 Mar 2017 RM'000	Preceding Corresponding Period from 1 Jan 2016 to 31 Mar 2016 RM'000
Revenue	A4	203,782	295,282	203,782	295,282
Cost of sales		(175,873)	(259,284)	(175,873)	(259,284)
Gross profit	A4	27,909	35,998	27,909	35,998
Other income		997	296	997	296
Selling and distribution costs		(3,169)	(4,306)	(3,169)	(4,306)
Administrative expenses		(2,230)	(8,021)	(2,230)	(8,021)
Finance costs		(507)	(504)	(507)	(504)
Profit before tax	B11	23,000	23,463	23,000	23,463
Tax expense	B5	(5,748)	(6,583)	(5,748)	(6,583)
Profit for the period		17,252	16,880	17,252	16,880
Attributable to:					
Owners of the Company		15,718	14,866	15,718	14,866
Non-controlling interest		1,534	2,014	1,534	2,014
		17,252	16,880	17,252	16,880
Earnings per share attributable to owners of the Company					
- Basic (sen)	B10	0.67	0.63	0.67	0.63

The Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 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 2017 to 31 Mar 2017 RM'000	Preceding Corresponding Period from 1 Jan 2016 to 31 Mar 2016 RM'000	Current Period from 1 Jan 2017 to 31 Mar 2017 RM'000	Preceding Corresponding Period from 1 Jan 2016 to 31 Mar 2016 RM'000
Profit for the period	17,252	16,880	17,252	16,880
Other comprehensive loss				
Foreign currency translation	(2,214)	(41,354)	(2,214)	(41,354)
Total comprehensive income/(loss) for the period	15,038	(24,474)	15,038	(24,474)
Attributable to:				
Owners of the Company	13,701	(26,577)	13,701	(26,577)
Non-controlling interest	1,337	2,103	1,337	2,103
	15,038	(24,474)	15,038	(24,474)

The Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to this interim financial statements.

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Consolidated Statement of Financial Position

	Note	31 Mar 2017 RM'000 (Unaudited)	31 Dec 2016 RM'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		19,145	19,674
Land use rights		12,119	12,277
		31,264	31,951
CURRENT ASSETS			
Inventories		39,662	12,777
Advances for peanut purchases		49,684	70,951
Trade and other receivables		225,289	404,532
Current tax assets		9	9
Cash and bank balances		241,314	77,545
		555,958	565,814
TOTAL ASSETS		587,222	597,765
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		285,259	234,850
Reserves		236,438	273,146
		521,697	507,996
Equity attributable to owners of the Company		521,697	507,996
Non-controlling interest		44,129	42,792
TOTAL EQUITY		565,826	550,788
NON-CURRENT LIABILITIES			
Trade and other payables		3,370	3,388
Deferred tax liabilities		1,565	1,573
		4,935	4,961
CURRENT LIABILITIES			
Trade and other payables		11,194	10,205
Government grant		992	1,087
Borrowing		-	27,090
Current tax liabilities		4,275	3,634
		16,461	42,016
TOTAL LIABILITIES		21,396	46,977
TOTAL EQUITY AND LIABILITIES		587,222	597,765

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Consolidated Statement of Financial Position (Continued)

	31 Mar 2017 (Unaudited)	31 Dec 2016 (Audited)
Net assets per share (sen)	24.1	23.5

The Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 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 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 (loss)/income	-	-	-	-	-	(41,443)	14,866	(26,577)	2,103	(24,474)
At 31 March 2016	234,850	50,409	3,983	18,901	(154,550)	52,336	256,631	462,560	42,426	504,986
At 1 January 2017	234,850	50,409	3,983	18,901	(154,550)	89,012	265,391	507,996	42,792	550,788
Transition to no par value regime	50,409	(50,409)	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	15,718	15,718	1,534	17,252
Foreign currency translation	-	-	-	-	-	(2,017)	-	(2,017)	(197)	(2,214)
Total comprehensive (loss)/income	-	-	-	-	-	(2,017)	15,718	13,701	1,337	15,038
At 31 March 2017	285,259	-	3,983	18,901	(154,550)	86,995	281,109	521,697	44,129	565,826

The Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 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 2017 to 31 Mar 2017 RM'000	Preceding Period from 1 Jan 2016 to 31 Mar 2016 RM'000
Cash flows from operating activities		
Profit before tax	23,000	23,463
Adjustments for:		
Finance costs	507	504
Interest income	(341)	(207)
Amortisation of government grant	(90)	(89)
Depreciation of property, plant and equipment	686	675
Amortisation of land use rights	97	95
Unrealised foreign exchange (gain)/loss	(566)	4,884
Operating profit before working capital changes	23,293	29,325
Changes in working capital		
Inventories	(26,950)	(19,541)
Advances for peanut purchases	20,996	-
Trade and other receivables	176,920	23,113
Trade and other payables	2,734	13,203
Cash flows generated from operations	196,993	46,100
Interest paid	(507)	(504)
Tax paid	(5,532)	(14,277)
Net cash generated from operating activities	190,954	31,319
Cash flows from investing activities		
Purchase of property, plant and equipment	(253)	(9)
Interest income	341	207
Net cash generated from investing activities	88	198
Cash flows from financing activities		
Repayment of borrowings	(26,955)	-
Net cash used in financing activities	(26,955)	-
Net increase in cash and cash equivalents	164,087	31,517
Effects of exchange rate changes on cash and cash equivalents	(318)	(16,717)
Cash and cash equivalents at beginning of year	77,545	199,142
Cash and cash equivalents at end of year	241,314	213,942

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Consolidated Statement of Cash Flows(Unaudited) (Continued)

	Current Period	Preceding Period
	from 1 Jan 2017	from 1 Jan 2016
	to 31Mar 2017	to 31Mar2016
	RM'000	RM'000
Cash and cash equivalents comprise the following:		
Cash and bank balances	241,314	213,942

The Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial yearended 31 December 2016 and theaccompanying 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 2016 and these explanatory notes attached to the interim financial statements.

These 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 2016.

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 2016 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 2017.

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 1 <i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-Based Payment Transaction</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS 9 as issued by IASB in July 2014)</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarifications to MFRS 15	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
MFRS 16 <i>Leases</i>	1 January 2019
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	Deferred

MFRS 4, 10, 128 and 140 are not applicable to the Group’s existing operations.

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The Group is in the process of assessing the impacts of implementing the above pronouncements, which are applicable to the Group's operations at present, the effects of which would only be observable in the period of initial application.

A3 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2016 was not qualified.

A4 Segment information

The Group has 3 reportable segments:

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

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 2017 to 31 Mar 2017 RM'000	Preceding Corresponding Period from 1 Jan 2016 to 31 Mar 2016 RM'000	Current Period from 1 Jan 2017 to 31 Mar 2017 RM'000	Preceding Corresponding Period from 1 Jan 2016 to 31 Mar 2016 RM'000
Revenue by product				
Branded products	80,130	108,712	80,130	108,712
Non-branded products	90,295	139,264	90,295	139,264
Others	33,357	47,306	33,357	47,306
	203,782	295,282	203,782	295,282
Gross margin by products				
Branded products	12,477	18,240	12,477	18,240
Non-branded products	14,545	20,970	14,545	20,970
Others	887	(3,212)	887	(3,212)
	27,909	35,998	27,909	35,998

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, segment information based on geographical location 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.

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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.

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 by the Company during the current financial year to-date.

A9 Changes in 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 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 RM203.8 million for the current financial quarter (“CFQ”) as compared to that of RM295.3 million for the corresponding financial quarter last year. The gross profit margin for the CFQ of 13.7% was higher than that of 12.2% for the corresponding financial quarter last year. This improved margin was mainly due to improved average selling prices [in Renminbi (“RMB”) terms] of the Group’s entire product range year-on-year (“YoY”).

Despite the improved margin YoY, gross profit still fell 22.5% YoY to RM27.1 million for the CFQ. This decline in absolute gross profit was caused by the reduced sales volume YoY for the Group’s major products. The volume reduction was attributed to the continued weakness in demand for the Group’s peanut oil (branded and unbranded) and productivity loss consequent to the on-going conversion (commenced in August 2016) of the peanut oil extraction machines to run on natural gas instead of coal.

Profitability-wise, the Group’s profit before tax (“PBT”) for the CFQ of RM23.0 million was marginally lower than that of RM23.5 million for the corresponding financial quarter last year. This was achieved on the back of a reduction of 60.8% YoY in net operating expenses which fell to RM4.9 million for the CFQ from that of RM12.5 million incurred in the corresponding financial quarter last year. This decrease mitigated the YoY decline in gross profit mentioned earlier.

B2 Comments on material changes in profit before taxation

The Group’s revenue for the CFQ of RM203.8 million was 9.6% lower than the revenue of RM225.4 million (ex-raw peanuts) achieved in the preceding financial quarter. The reduced revenue was attributed to the prolonged Lunar New Year holidays in PRC and lower sales volume quarter-on-quarter (“QoQ”).

The average selling prices (in RMB terms) of branded products were higher QoQ due to increased Lunar New Year demand from retail consumers. As for unbranded peanut oil, the average selling price QoQ was more or less the same. Excluding the sales of raw peanut in the preceding financial quarter, gross profit margin decreased QoQ from 14.4% to 13.7% due to the lower sales volume.

Despite the lower revenue and gross profit margin QoQ, the Group still managed to increase its PBT for the CFQ marginally to RM23.0 million from that of RM22.6 million in the preceding financial quarter. The increased profitability was achieved on the back of net operating expenses decreasing from RM9.7 million in the preceding financial quarter to RM4.9 million in the CFQ. A significant portion of the reduction in net operating expenses was net foreign exchange which turned around from a loss of RM1.4 million in the preceding financial quarter to a gain of RM566,000 for the CFQ.

For purposes of this Note, the sales of raw peanuts in the preceding financial quarter was disregarded as it was a one-off transaction to clear raw peanuts which were surplus to production requirements. The sales also has no effect on absolute profitability as the raw peanuts were sold near to their cost of purchase.

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B3 Commentary on prospects

PRC's gross domestic product("GDP") for the CFQ grew 6.9% YoY and a seasonally adjusted 1.3% QoQ[based on data from National Bureau of Statistics of China ("NBS")]. This growth, a first back-to-back acceleration in seven years, was in the main driven by reflation, strong property sales and investments and increased retail sales.

Despite the strong GDP growth numbers, it was noted that growth of median per-capita disposable income decelerated to 6.7% in the CFQ, down from 8.3% last year and slower than GDP expansion for the first time since NBS began releasing the gauge in March 2014.This negativity if continued will pose a challenge to the Group as the Group's core product, peanut oil, is targeted to the middle class consumers and this group of consumers will switch to alternative and cheaper cooking oil when their disposable income is less.

The conversion of the peanut oil conversion machines to use natural gas which is anticipated to be commissioned by end June 2017, has already resulted in productivity loss since the financial quarter ended 30 September 2016 and it will continue to do so until it is commissioned. Going forward, the Group is hopeful that the conversion will reduce productivity loss due to production plant closures on the "Blue Skies" directives of the Central Government in Beijing.

The planting of the new peanut crop in Northern PRC for the current financial year ("FY2017") has been delayed due to drought and this is expected to lead to higher prices for raw peanuts in the coming months. This is likely to affect the Group's and other oil crushers' profitability and in anticipation thereof, the PRC Government has reduced the Value-Added-Tax rate for raw peanuts from 13% to 11%.

The RM has strengthened by 2.3% against RMB in the first four months of FY2017. As the Group's operations are based entirely in the PRC and all its transactions denominated in RMB, ceteris paribus, the RMB parity with RM will also have an impact on the Group's results for FY2017.

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 Tax expense

	Individual current quarter from 1 Jan 2017 to 31 Mar 2017 RM'000	Cumulative current year from 1 Jan 2017 to 31 Mar 2017 RM'000
PRC income tax:		
Current quarter/year expense:	5,748	5,748
Effective PRC income tax rate	25.0%	25.0%

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B6 Status of corporate proposals announced

There were no corporate proposals announced but not completed as at 24 May 2017.

B7 Borrowings and debt securities

The Group has no borrowings and debt securities as at the end of the current financial quarter.

B8 Material litigation

The Group has no material litigation pending as of 24 May 2017.

B9 Dividends payable

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

B10 Earnings per share

(a) Basic earnings per share

The basic earnings per share of 0.67 sen for the current financial quarter and year to-date was derived as follows:

	Individual current quarter from 1 Jan 2017 to 31 Mar 2017	Cumulative current year from 1 Jan 2017 to 31 Mar 2017
Earnings attributable to owners of the Company (RM'000)	15,718	15,718
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.

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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 Jan 2017 to 31 Mar 2017 RM'000	Cumulative current year from 1 Jan 2017 to 31 Mar 2017 RM'000
Interest income	341	341
Amortisation of government grant	90	90
Other income	-	-
Interest expenses	(507)	(507)
Depreciation of property, plant and equipment	(686)	(686)
Amortisation of land use rights	(97)	(97)
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)	566	566
Exceptional items (with details)	-	-

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B12 Supplementary information disclosed pursuant to 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 Mar2017	As at 31 Dec 2016
	RM'000	RM'000
Total retained earnings of the Group		
- Realised	288,078	280,138
- Unrealised	(999)	(8,777)
	287,079	271,361
Consolidation adjustments	(5,970)	(5,970)
	281,109	265,391

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 Leh Kiah
Lim Chien Joo (Ms)
Company Secretaries

31 May 2017