XingHe Holdings Berhad

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

INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL QUARTER FROM1 OCTOBER2017 TO 31 DECEMBER 2017

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XingHe Holdings Berhad

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

Interim Financial Statements for the Financial Quarter Ended 31 December 2017

Consolidated Statement of Profit or Loss

	Note	Individual Period		Cumulative Period	
		Current Period from 1 Oct 2017 to 31 Dec 2017	Preceding Corresponding Period from 1 Oct 2016 to 31 Dec 2016*	**Current Year from 1 Jan 2017 to 31 Dec 2017**	Preceding Corresponding Year from 1 Jan 2016 to 31 Dec 2016
	Note	**RM'000**	RM'000	**RM'000**	RM'000
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Revenue	A4	**43,145**	308,605	**357,460**	768,057
Cost of sales		**(46,239)**	(276,292)	**(333,241)**	(686,791)
Gross (loss)/profit	A4	**(3,094)**	32,313	**24,219**	81,266
Other income		**447**	209	**1,682**	943
Selling and distribution costs		**(3,683)**	(3,754)	**(13,564)**	(18,830)
Administrative expenses		**(2,854)**	(3,790)	**(10,924)**	(14,984)
Finance costs		**(474)**	(975)	**(977)**	(2,468)
Write-down in net-realisable value of inventories		**(2,415)**	-	**(2,415)**	-
Unrealised foreign exchange gain/(loss)		**7,455**	(1,408)	**10,832**	(7,205)
(Loss)/profit before tax	B11	**(4,618)**	22,595	**8,853**	38,722
Tax expense	B5	**(12,684)**	(5,740)	**(15,633)**	(11,841)
(Loss)/profit for the period/year		**(17,302)**	16,855	**(6,780)**	26,881
Attributable to:					
Owners of the Company		**(16,425)**	15,180	**(6,686)**	23,626
Non-controlling interests		**(877)**	1,675	**(94)**	3,255
		(17,302)	16,855	**(6,780)**	26,881
(Loss)/earnings per share attributable to owners of the Company					
- Basic (sen)	B10	**(0.70)**	0.65	**(0.29)**	1.01

* *Certain line items for these comparative figures reported previously have been adjusted to incorporate adjustments arising from the audit for the financial year ended 31 December 2016*

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.

Consolidated Statement of Other Comprehensive Income

	Individual Period		Cumulative Period	
	Current Period from 1 Oct 2017 to 31 Dec2017 RM'000 (Unaudited)	Preceding Corresponding Period from 1 Oct 2016 to 31 Dec 2016* RM'000 (Audited)	**Current Year from 1 Jan 2017 to 31 Dec 2017 RM'000 (Unaudited)**	Preceding Corresponding Year from 1 Jan 2016 to 31 Dec 2016 RM'000 (Audited)
(Loss)/profit for the period/year	**(17,302)**	16,855	**(6,780)**	26,881
Other comprehensive (loss)/income				
Foreign currency translations	**(17,541)**	23,417	**(28,855)**	(5,553)
Total comprehensive (loss)/income for the period/year	**(34,843)**	40,272	**(35,635)**	21,328
Attributable to:				
Owners of the Company	**(34,669)**	39,488	**(35,543)**	18,859
Non-controlling interests	**(174)**	784	**(92)**	2,469
	(34,843)	40,272	**(35,635)**	21,328

* *These comparative figures reported previously have been adjusted to incorporate adjustments arising from the audit for the financial year ended 31 December 2016*

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.

XingHe Holdings Berhad

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

Consolidated Statement of Financial Position

	31 Dec 2017 RM'000 (Unaudited)	31 Dec 2016 RM'000 (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	**17,234**	19,674
Land use rights	**11,481**	12,277
	28,715	31,951
CURRENT ASSETS		
Inventories	**11,517**	12,777
Advancesfor peanut purchases	**-**	70,951
Trade and other receivables	**70,813**	404,532
Current tax assets	**1,590**	9
Cash and bank balances	**431,470**	77,545
	515,390	565,814
TOTAL ASSETS	**544,105**	597,765
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	**285,259**	234,850
Reserves	**187,196**	273,146
Equity attributable to owners of the Company	**472,455**	507,996
Non-controlling interests	**42,698**	42,792
TOTAL EQUITY	**515,153**	550,788
NON-CURRENT LIABILITIES		
Trade and other payables	**3,272**	3,388
Deferred tax liabilities	**15,343**	1,573
	18,615	4,961
CURRENT LIABILITIES		
Trade and other payables	**9,637**	10,205
Government grant	**700**	1,087
Borrowing	**-**	27,090
Current tax liabilities	**-**	3,634
	10,337	42,016
TOTAL LIABILITIES	**28,952**	46,977
TOTAL EQUITY AND LIABILITIES	**544,105**	597,765

Consolidated Statement of Financial Position (Continued)

	31 Dec 2017 (Unaudited)	31 Dec 2016 (Audited)
Net assets per share (sen)	**21.9**	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 theaccompanying explanatory notes attached to this interim financial statements.

XingHe Holdings Berhad

(Company No. 643114-X)
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Interim Financial Statements for the Financial Quarter Ended 31 December 2017

Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company									
	Sharecapital 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	Total RM'000	Non-controlling Interests RM'000	Total RM'000
Audited										
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 year	-	-	-	-	-	-	23,626	23,626	3,255	26,881
Foreign currency translation, net of tax	-	-	-	-	-	(4,767)	-	(4,767)	(786)	(5,553)
Total comprehensive (loss)/income	-	-	-	-	-	(4,767)	23,626	18,859	2,469	21,328
At 31 December 2016	234,850	50,409	3,983	18,901	(154,550)	89,012	265,391	507,996	42,792	550,788
Unaudited										
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)	-	-	-	-	-	-	-	-
Dilution of interest in a subsidiary company	-	-	-	-	-	-	2	2	(2)	-
Loss for the year	-	-	-	-	-	-	(6,686)	(6,686)	(94)	(6,780)
Foreign currency translation, net of tax	-	-	-	-	-	(28,857)	-	(28,857)	2	(28,855)
Total comprehensive loss	-	-	-	-	-	(28,857)	(6,686)	(35,543)	(92)	(35,635)
At 31 December 2017	**285,259**	**-**	**3,983**	**18,901**	**(154,550)**	**60,155**	**258,707**	**472,455**	**42,698**	**515,153**

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 theaccompanying explanatory notes attached to this interim financial statements.

XingHe Holdings Berhad

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

Interim Financial Statements for the Financial Quarter Ended 31 December 2017

Consolidated Statement of Cash Flows

	Current Year from 1 Jan 2017 to 31 Dec2017 RM'000 (Unaudited)	Preceding Year from 1 Jan 2016 to 31 Dec 2016 RM'000 (Audited)
Cash flows from operating activities		
Profit before tax	**8,853**	38,722
Adjustments for:		
Finance costs	**977**	2,468
Interest income	**(1,325)**	(592)
Loss on disposal of property, plant and equipment	**8**	-
Impairment of other receivable	**83**	-
Write-down in net realisable value of inventories	**2,415**	-
Amortisation of government grant	**(357)**	(351)
Depreciation of property, plant and equipment	**2,718**	2,657
Amortisation ofland use rights	**384**	378
Unrealised foreign exchange (gain)/loss	**(10,832)**	7,205
Operating profit before working capital changes	**2,924**	50,487
Changes in working capital:		
Inventories	**(1,544)**	6,883
Advances for peanut purchases	**69,909**	-
Receivables	**322,073**	(137,578)
Payables	**(3,622)**	(20,377)
Cash flowsgenerated from/(used in) operations	**389,740**	(100,585)
Interest paid	**(501)**	(2,000)
Tax paid	**(11,436)**	(13,806)
Net cash generated from/(used in) operating activities	**377,803**	(116,391)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,097)**	(675)
Proceeds from disposal of property, plant and equipment	**187**	-
Interest income	**1,325**	592
Net cash generated from/(used in) investing activities	**415**	(83)
Cash flows from financing activities		
Repayment of borrowings	**(26,165)**	-
Net cash used in financing activities	**(26,165)**	-
Net increase/(decrease) in cash and cash equivalents	**352,053**	(116,474)
Effects of exchange rate changes on cash and cash equivalents	**1,872**	(5,123)
Cash and cash equivalents at beginning of year	**77,545**	199,142
Cash and cash equivalents at end of year	**431,470**	77,545

Consolidated Statement of Cash Flows(Continued)

	Current Year from 1 Jan 2017 to 31 Dec 2017 RM'000 (Unaudited)	Preceding Year from 1 Jan 2016 to 31 Dec2016 RM'000 (Audited)
Cash and cash equivalents comprise the following:		
Cash and bank balances	**431,470**	77,545

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.

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 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.

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 adopted by the Group 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, Amendments to MFRSs and Interpretations 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, Amendments to MFRSs and Interpretations issued by Malaysian Accounting Standards Board:

<u>MFRS, Amendments to MFRSs and Interpretation effective 1 January 2018</u>

MFRS 9	*Financial Instruments (International Financial Reporting Standard 9 as issued by International Accounting Standards Board in July 2014*)
MFRS 15	*Revenue from Contracts with Customers*
MFRS 15	*Clarifications to MFRS 15*
Amendments to MFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to MFRS 4*	*Insurance Contracts, Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
Amendments to MFRS 7	*Financial Instruments – Disclosure: Mandatory effective date of MFRS 9 and transitional disclosures*
Amendments to MFRS 140	*Investment Property: Transfer of Investment Property*
IC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*

Annual Improvements to MFRS Standards 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interests in Other Entities

MFRS, Amendments to MFRSs and Interpretation effective 1 January 2019

MFRS 16	*Leases*
Amendments to MFRS 9	*Financial Instruments: Prepayment Features with Negative Compensation*
Amendments to MFRS 128	*Investments in Associates and Joint Ventures: Long-term interest in Associates and Joint Venture*
IC Interpretation 23	*Uncertainty over Income Tax Treatments*

Annual Improvements to MFRS Standards 2015-2017 Cycle

Amendments to MFRS (deferred effective dates to be announced by MASB)

MFRSs 10 and 128	*Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

MFRS effective 1 January 2021

MFRS 17	*Insurance Contracts*

* *See MFRS 4 Paragraphs 46 and 48 for the effective date*

MFRSs10 and 17, and Amendments to MFRSs 2, 4, 128 and 140 are not applicable to the Group's existing operations.

The Group is in the process of assessing the impacts of implementing the above pronouncements,which are applicable to the Group's existing operations, 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 Periodfrom 1 Oct 2017 to 31 Dec 2017 RM'000	Preceding CorrespondingPeriod from 1 Oct2016 to 31 Dec 2016 RM'000	**Current Year from 1 Jan 2017 to 31Dec 2017 RM'000**	Preceding Corresponding Year from 1 Jan 2016 to 31Dec2016 RM'000
Revenue by product				
Branded products	**5,898**	92,699	**106,445**	241,029
Non-branded products	**17,577**	99,941	**175,960**	327,643
Others	**19,670**	115,965	**75,055**	199,385
	43,145	308,605	**357,460**	768,057
Gross margin by product				
Branded products	**314**	14,444	**14,784**	37,466
Non-branded products	**(2,734)**	17,000	**9,812**	48,127
Others	**(674)**	869	**(377)**	(4,327)
	(3,094)	32,313	**24,219**	81,266

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.

A6 Changes in estimates

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

A7 Seasonality or cyclicality 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 cyclicality effects.

A8 Dividends paid

No dividends were paid by the Company during the current financial year.

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.

Subsequent to the end of the current financial year, Bursa Securities approved the Company's proposed private placement of up to 234,850,000 new ordinary shares. In pursuance thereof, the Company's issued ordinary share capital was increased from RM285,258,833 to RM297,158,833 by the following placements:

(i) 200,000,000 new ordinary shares at an issue price of 5.2 sen per share on 26 January 2018; and

(ii) 25,000,000 new ordinary shares at an issue price per share of 6.0 sen on 5 February 2018.

As of 21 February 2018, there is a balance of 9,850,000 ordinary shares to be issued and placed out pursuant to the above private placement.

As a consequence of the above placements, Perfect Timing Holdings Limited and Testa Holdings Limited, both of which were incorporated in the British Virgin Islands, ceased to be the Group's ultimate and immediate holding corporations respectively.

A10 Changes in the composition of the Group

In pursuance of the CollaborationAgreement betweenthe Company andJefi Aquatech Resources Sdn. Bhd.["JAR"]for the purposes of exploring business opportunities in tuna and other seafood processing, the Company's equity interest in its wholly-owned subsidiary company, XingHe-Jefi Sdn. Bhd.,(formerly known as XingHe Marketing Sdn. Bhd.)["XingHe-Jefi"] was reduced to 90.0% upon the subscription by JAR of 100 ordinary shares representing an equity interest of 10.0% in XingHe-Jefi for a consideration of RM100 on 30 November 2017.

Other than the above, 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 year, 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 year, 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.

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1 Review of performance

	Individual Period				Cumulative Period			
	Current Period from 1 Oct 2017 to 31 Dec 2017	Preceding Corresponding Period from 1 Oct 2016 to 31 Dec 2016	Changes (+/-)		**Current Period from 1 Jan 2017 to 31 Dec 2017**	Preceding Corresponding Period from 1 Jan 2016 to 31 Dec 2016	Changes +/(-)	
	RM'000	RM'000	RM'000	%	**RM'000**	RM'000	RM'000	%
Revenue	**43,145**	308,605	-265,460	-86.0	**357,460**	768,057	-410,597)	-53.5
(Loss)/profit before tax	**(4,618)**	22,595	-	-	**8,853**	38,722	-29,869	-77.1
(Loss)/profit after tax	**(17,302)**	16,855	-	-	**(6,780)**	26,881	-	-
(Loss)/profit attributable to owners of the Company	**(16,425)**	15,180	-	-	**(6,686)**	23,626	-	-

The Group recorded revenue of RM43.1 million and RM357.5 million for the current financial quarter ("CFQ") and year ("CFY") respectively as compared to those of RM308.6 million and RM768.1 million for the corresponding periods last year. These declines of 86.0% and 53.5% year-on-year ["YoY"] respectively were caused by lower sales volume and reduced average selling prices [in Renminbi ("RMB") terms] of the Group's major products year-on-year ("YoY"). Overall sales volume (ex-raw peanuts) for the CFQ and CFY declined by 88.6% and 54.2% YoY respectively.

The above declines were mainly caused by productivity losses due to directives by the local authorities in PRC to industrial plants including the Group to restrict production so as to cut emissions that would affect air quality. These production curbs which became prevalent in the preceding financial quarter continued into the CFQ and as a result, the Group's plant in Neihuang County, Henan Province, PRC only operated 20 days during the CFQ (as compared to 26 days in the preceding financial quarter). As mentioned in Note B3 "Commentary on prospects" in the preceding quarterly report, the natural gas supply to the plant from 15 November 2017 to the end of the CFQ was also curtailed by the natural gas supplier due to the latter's priority to supply gas to residential users for heating purposes during the winter heating season in northern China.

As mentioned in this Note B1 of the preceding quarterly report, the above curbs also affected the quality of the Group's peanut oil (its main premium product) as the Group's peanut oil extractors could not run for a prolonged period of time so as to reach and then maintain a high temperature of about 120^{o}C in its chambers to extract high quality peanut oil. The lower quality of the peanut oil produced led to the average selling price of the Group's peanut oil dropping by 36.4% YoY during the CFQ.

The abovementioned declines in sales volume and selling prices especially for peanut oil caused the Group to incur a gross loss of RM3.1 million for the CFQ compared to a gross profit of RM32.3 million for the preceding year corresponding quarter. For the CFY, the gross profit declined to RM24.2 million from that of RM81.3 million achieved in the preceding YTD. This drop in margin was evident throughout the entire CFY but became more pronounced during the current CFQ and the preceding financial quarter.

Net operating expenses (excluding unrealised foreign exchange differences) for the CFQ of RM9.0 million was marginally higher than that of RM8.3 million for the corresponding period last year. This increase was mainly due to a write-down of RM2.4 million in the net realisable value of inventories during the CFQ. There was no such expense in thecorresponding period last year.

For the CFY, net operating expenses (excluding the write-down in net realisable value of inventories of RM2.4 million as mentioned above and unrealised foreign exchange differences) dropped to RM23.8 million from that of RM35.3 million in the preceding financial year.

The above declines in net operating expenses were due mainly to reduced sales activities and production days.

The unrealised gain in foreign exchange of RM7.4 million during the CFQ was mainly due to the RM appreciating by 2.1% against RMB. In the corresponding financial period, the Group incurred an unrealised loss in foreign exchange of RM1.4 million as RMB appreciated against RM by 3.9% then. For the CFY, the unrealised foreign difference turned around from a loss of RM7.2 million in the preceding financial year to a gain on RM10.8 million for the CFY. This was due to the appreciation of RM by 3.5% against RMB during the CFY. In the preceding financial year, RMB strengthened by 6.6% against RM in the 2nd half of the financial year concerned.

The declines in net operating expenses and unrealised gain in foreign exchange during the CFQ as mentioned above were unable to mitigate the 86.0% drop in revenue YoY and consequently the Group incurred an operating loss of RM4.6 million for the CFY as compared to a profit before tax ["PBT"] of RM22.6 million in the preceding year corresponding quarter. For the CFY, the Group still managed to achieve a PBT of RM8.9 million due to its performance during the 1st half of the CFY. The YoY decline of 77.1% in PBT was due to the decline in revenue through the entire CFY especially in the 2nd half, the reasons of which have been detailed above.

Despite an operating loss for the CFQ, the Group still incurred a tax expense of RM12.7 million. This tax expense was due to the deferred tax liabilities provided in respect of temporary differences associated with the share of the net assets of the Group subsidiaries in PRC and the tax base of the cost of investment in the said subsidiaries based on the prevailing applicable withholding tax rate of 5%. This provision for deferred tax liabilities was also the factor that caused a disproportionate tax expense on the PBT of the CFY.

The above losses after tax for the CFQ and CFY resulted in respective losses of RM16.4 million and RM6.7 million attributable to the owners of the Company.

B2 Comments on material changes in profit before taxation

	Current Quarter from 1 Oct 2017 to 31 Dec 2017 RM'000 (Unaudited)	ImmediatePrecedin gQuarter from 1 Jul 2017to 30 Sept 2017 RM'000 (Unaudited)	Changes +/(-) RM'000	%
Revenue	**43,135**	32,313	+10,822	+33.5
Loss before tax	**4,618**	9,635	-5,017	-52.1
Loss after tax	**17,302**	6,836	+10,466	+153.1
Loss attributable to owners of the Company	**16,425**	6,127	+10,298	+168.1

The Group's revenue for the CFQ of RM43.1 million increased by 33.5% from that of RM32.3 million achieved in the preceding financial quarter. This increase was mainly due to thequarter-on-quarter ("QoQ") increase in overall sales volume by 37.0% and the average selling prices (in RMB terms)of 1.5%. These increases are seasonal effects caused by higher demand for the Lunar New Year festivities in February 2018. The increased revenue also resulted in a reduction in the gross loss reducing from RM8.4 million in the preceding financial quarter to RM3.1 million for the CFQ.

Despite net operating expenses (excluding unrealised foreign exchange differences) for the CFQ increasing to RM9.0 million from that of RM2.3 million for the preceding financial quarter, the reduced gross loss and unrealised gain in foreign exchange of RM7.5 million during the CFQ resulted in a reduction of 52.1% QoQ in loss before tax. The unrealised foreign exchange gain in the preceding financial quarter was RM1.2 million. These foreign exchange gains were due to RM appreciating by 1.6% and 0.2% against RMB during the CFQ and the preceding financial quarter respectively.

The increased loss after tax and loss attributable to the owners of the Company QoQ was due to the deferred tax liabilities provided in respect of temporary differences as detailed in Note B1. The loss after tax and loss attributable to the owners of the Company in the preceding financial quarter was lower than the loss before tax due to an overprovision of tax made in the previous financial quarters of the current financial year.

B3 Commentary on prospects

As mentioned in the preceding quarterly report, PRC's campaign against environmental pollution was intensified during the CFQ in its northern cities especially in the Beijing-Tianjin-Hebei region as well as cities in the smog-prone provinces of Shanxi, Shandong and Henan. The Group's production plant located in Neihuang Countywas subjected to the production curbs during the CFQ consequential to the said campaign and as mentioned in Note B1, the plant operated only 20 days during the CFQ. This campaign is anticipated to last at least until mid-March 2018 when the winter heating season in northern China officially ends and this was evident by the fact that the Group's plant only operated 4 days in January 2018.

The curtailing of natural gas supply to the Group's plant experienced in the 2nd half of the CFQ as mentioned in Note B1 is also expected to last until mid-March 2018.

The above environmental curbs and gas supply constraints are expected to have adverse effects on the Group's production in the 1st financial quarter of the coming financial year ending 31 December 2018 and based on the CFQ's results, the Group anticipates that its results for the said quarter should also be disappointing.

The Group opined that any recovery in its performance would only be certain in the second financial quarter of 2018 when the winter heating season ends and existing environmental curbs relaxed.

The RM has strengthened marginally by 3.5% against RMB during the CFY. 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 has an impact on the Group's results.

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	**Cumulative**
	current quarter from 1 Oct 2017 to 31 Dec 2017	**current year from 1 Jan 2017 to 31 Dec 2017**
	RM'000	**RM'000**
PRC income tax:		
Current year expense	**-**	**1,810**
Overprovision in the previous quarters	**(1,139)**	**-**
	(1,139)	**1,810**
Deferred tax		
Relating to origination of temporary differences	**13,823**	**13,823**
	12,684	**15,633**
Effective PRC income tax rate	**-**	**20.4%**

The differential between the Group's effective PRC income tax rate for the CFY with the applicable PRC's income tax rate of 25% was mainly due to the non-taxability of the unrealised gain in foreign exchange.

The Group is subject to withholding tax on dividends in the tax jurisdiction of PRC. According to the New Corporate Income Tax and the Detailed Implementation Regulations, dividends distributed to a foreign investor by a Foreign Invested Enterprise in PRC would be subject to a withholding tax of 10%. The PRC tax authorities have granted a special concession, which states that from 1 January 2018 onwards, a FIE's profit arising in the calendar year 208 and beyond, distributed to foreign investors as dividends and subject to a withholding tax of 10%, shall be entitled to a withholding tax reduction as provided by the applicable double taxation treaty.

According to the Arrangement Between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income and Prevention of Tax Evasion, the withholding tax on dividends to a Hong Kong-incorporated company, which owns directly at least 25% of the capital of the subsidiary in PRC, is 5%, whereas in any other case, the rate is 10% of the dividends.

The Group has reconsidered the above tax exposure as of the reporting date in the light of probable dividend distribution in the foreseeable future and accordingly, have estimated that the deferred tax liabilities provided in respect of the temporary differences associated with the share of net assets of the PRC subsidiaries and tax base of cost of investment in the subsidiaries based on the prevailing applicable withholding tax rate of 5% should suffice.

B6 Status of corporate proposals announced

Save for the balance of the ordinary shares to be placed out pursuant to the private placement as detailed in Note A9 and the successful conclusion to the tuna and other seafood processing business as envisaged in the Collaboration Agreement referred to in Note A10, there were no corporate proposals announced but not completed as at 21 February 2018.

B7 Borrowings and debt securities

The Group has no borrowings and debt securities as at the end of the CFY.

B8 Material litigation

The Group has no material litigation pending as of 21 February 2018.

B9 Dividends payable

No dividend has been declared or recommended for the CFY.

B10 Lossper share

(a) Basic loss per share

The basic loss per share of 0.70 sen for the CFQ and 0.29 sen for the CFQ and CFY were derived as follows:

	Individual current quarter from1Oct2017 to31 Dec 2017	**Cumulative current year from1 Jan 2017 to31 Dec 2017**
Loss attributable to owners of the Company(RM'000)	**16,425**	**6,686**
Weighted average number of ordinary shares in issue ('000)	**2,348,500**	**2,348,500**

(b) Diluted loss per share

The diluted loss per share is the same as the basic loss per share as the average market price of the ordinary shares during the CFY 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 CFY.

B11 (Loss)/profit before tax

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

	Individual current quarter from 1 Oct 2017 to 31 Dec 2017 RM'000	**Cumulative current year from 1 Jan 2017 to 31Dec 2017 RM'000**
Interest income	**359**	**1,325**
Amortisation of government grant	**88**	**357**
Other income	**-**	**-**
Interest expenses	**474**	**(977)**
Depreciationof property, plant and equipment	**(1,019)**	**(2,718)**
Amortisation of land use rights	**(95)**	**(384)**
Write-down in net realisable value of inventories	**2,415**	**2,415**
Gain or loss on disposal of quoted or unquoted investments or properties	**-**	**-**
Impairment of other receivables	**83**	**83**
Gain or loss on derivatives	**-**	**-**
Unrealised net foreign exchange gain or (loss)	**7,454**	**10,832**
Exceptional items (with details)	**-**	**-**

By Order of the Board

Datuk Tan Leh Kiah
Lim Chien Joo (Ms)
Company Secretaries

28 February 2018