XingHe Holdings Berhad

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

INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL QUARTER FROM1 APRIL2018 TO 30 JUNE 2018

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XingHe Holdings Berhad

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

Interim Financial Statements for the Financial Quarter Ended 30 June 2018

Consolidated Statement of Profit or Loss (Unaudited)

	Note	Individual Period		Cumulative Period	
		Current Periodfrom 1 Apr 2018to 30 Jun 2018	Preceding CorrespondingPeriod from 1 Apr 2017 to 30 Jun 2017	**Current Yearfrom 1 Jan 2018to 30 Jun 2018**	Preceding CorrespondingYear from 1 Jan 2017 to 30 Jun 2017
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Revenue	A4	**15,058**	78,220	**28,972**	282,002
Cost of sales		**(16,718)**	(70,395)	**(31,399)**	(246,268)
Gross (loss)/profit	A4	**(1,660)**	7,825	**(2,427)**	35,734
Other income		**560**	358	**1,060**	789
Selling and distribution costs		**(207)**	(4,871)	**(547)**	(8,040)
Administrative expenses		**(1,422)**	(4,385)	**(3,104)**	(6,615)
Finance costs		**-**	-	**-**	(507)
Unrealised foreign exchange (loss)/gain		**(6,730)**	1,179	**(1,557)**	1,745
(Loss)/profit before tax	B11	**(9,459)**	106	**(6,575)**	23,106
Tax expense	B5	**(10)**	-	**(10)**	(5,748)
(Loss)/profit for the period		**(9,469)**	106	**(6,585)**	17,358
Attributable to:					
Owners of the Company		**(9,186)**	148	**(6,144)**	15,866
Non-controlling interests		**(283)**	(42)	**(441)**	1,492
		(9,469)	106	**(6,585)**	17,358
(Loss)/earnings per share attributable to owners of the Company:					
Basic (sen)	B10	**(0.357)**	0.006	**(0.242)**	0.676

The Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial statements.

Consolidated Statement of Other Comprehensive Income (Unaudited)

	Individual Period		Cumulative Period	
	Current Periodfrom 1 Apr 2018 to 30 Jun 2018 RM'000	Preceding Corresponding Period from 1 Apr 2017 to 30 Jun 2017 RM'000	**Current Year from 1 Jan 2018 to 30 Jun 2018 RM'000**	Preceding Corresponding Year from 1 Jan 2017 to 30 Jun 2017 RM'000
(Loss)/profit for the period	**(9,469)**	106	**(6,585)**	17,358
Other comprehensive loss				
Foreign currency translations	**1,600**	(8,448)	**(10,565)**	(10,662)
Total comprehensive (loss)/income for the period	**(7,869)**	(8,342)	**(17,150)**	6,696
Attributable to:				
Owners of the Company	**(7,584)**	(7,800)	**(16,747)**	5,901
Non-controlling interests	**(285)**	(542)	**(403)**	795
	(7,869)	(8,342)	**(17,150)**	6,696

The Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying 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 30 June 2018

Consolidated Statement of Financial Position

	30 Jun 2018 RM'000 (Unaudited)	31 Dec 2017 RM'000 (Audited) (Restated)
NON-CURRENT ASSETS		
Property, plant and equipment	**15,616**	17,234
Land use rights	**11,036**	11,481
	26,652	28,715
CURRENT ASSETS		
Inventories	**3,935**	11,517
Trade and other receivables	**11,295**	70,473
Current tax assets	**1,544**	1,590
Cash and bank balances	**495,372**	431,470
	512,146	515,050
TOTAL ASSETS	**538,798**	543,765
EQUITY AND LIABILITIES		
Share capital	**296,709**	285,259
Reserves	**171,443**	188,190
Equity attributable to owners of the Company	**468,152**	473,449
Non-controlling interests	**43,841**	41,364
TOTAL EQUITY	**511,993**	514,813
NON-CURRENT LIABILITIES		
Trade and other payables	**3,198**	3,272
Deferred tax liabilities	**15,343**	15,343
	18,541	18,615
CURRENT LIABILITIES		
Trade and other payables	**7,751**	9,637
Government grant	**513**	700
	8,264	10,337
TOTAL LIABILITIES	**26,805**	28,952
TOTAL EQUITY AND LIABILITIES	**538,798**	543,765
Net assets per share (sen)	**19.9**	21.9

The Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 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 30 June 2018

Consolidated Statement of Changes in Equity (Unaudited)

	Attributable to the owners of the Company									
	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	Total RM'000	Non-controlling interests RM'000	Total RM'000
At 31 December 2016	234,850	50,409	3,983	18,901	(154,550)	89,012	265,391	507,996	42,792	550,788
Effects of adoption of MFRS 9	-	-	-	-	-	-	(3,163)	(3,163)	(307)	(3,470)
At 1 January 2017 (Restated)	234,850	50,409	3,983	18,901	(154,550)	89,012	262,228	504,833	42,485	547,318
Transaction with owners of the Company										
Transition to no par value regime on 31 January 2017	50,409	(50,409)	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	15,866	15,866	1,492	17,358
Foreign currency translation, net of tax	-	-	-	-	-	(9,965)	-	(9,965)	(697)	(10,662)
Total comprehensive (loss)/income	-	-	-	-	-	(9,965)	15,866	5,901	795	6,696
At 30 June 2017 (Restated)	285,259		3,983	18,901	(154,550)	79,047	278,094	510,734	43,280	554,014

XingHe Holdings Berhad

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

Interim Financial Statements for the Financial Quarter Ended 30 June 2018

Consolidated Statement of Changes in Equity (Unaudited) (Continued)

	Attributable to the owners of the Company									
	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	Total RM'000	Non-controlling interests RM'000	Total RM'000
At 31 December 2017	285,259	-	3,983	18,901	(154,550)	61,459	258,707	473,759	41,394	515,153
Effects of adoption of MFRS 9	-	-	-	-	-	-	(310)	(310)	(30)	(340)
At 1 January 2018 (Restated)	285,259	-	3,983	18,901	(154,550)	61,459	258,397	473,449	41,364	514,813
Transactions with owners of the Company										
Issue of shares pursuant to private placement	11,900	-	-	-	-	-	-	11,900	-	11,900
Share issue expenses written-off against share premium in accordance with Section 618(3) of the Companies Act 2016	(450)	-	-	-	-	-	-	(450)	-	(450)
	11,450	-	-	-	-	-	-	11,450	-	11,450
Subscription of shares in a subsidiary company by non-controlling interest	-	-	-	-	-	-	-	-	2,880	2,880
Loss for the period	-	-	-	-	-	-	(6,144)	(6,144)	(441)	(6,585)
Foreign currency translation, net of tax	-	-	-	-	-	(10,603)	-	(10,603)	38	(10,565)
Total comprehensive loss	-	-	-	-	-	(10,603)	(6,144)	(16,747)	(403)	(17,150)
At 30 June 2018	**296,709**	**-**	**3,983**	**18,901**	**(154,550)**	**50,856**	**252,253**	**468,152**	**43,841**	**511,993**

The Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 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 30 June 2018

Unaudited Consolidated Statement of Cash Flows (Unaudited)

	Current Year from 1 Jan 2018to 30 Jun 2018	Preceding Year from 1 Jan 2017 to 30 Jun 2017
	RM'000	RM'000
Cash flows from operating activities		
(Loss)/profit before tax	**(6,575)**	23,106
Adjustments for:		
Finance costs	**-**	507
Interest income	**(887)**	(610)
Allowance for doubtful debts written back	**(310)**	-
Amortisation of government grant	**(174)**	(179)
Depreciation of property, plant and equipment	**1,321**	1,168
Amortisation of land use rights	**187**	193
Unrealised foreign exchange loss/(gain)	**1,557**	(1,745)
Operating (loss)/profit before working capital changes	**(4,881)**	22,440
Changes in working capital:		
Inventories	**7,321**	(31,354)
Advances for peanut purchases	**-**	(18,993)
Receivables	**55,811**	245,412
Payables	**224**	1,169
Cash flows generated from operations	**58,475**	218,674
Interest paid	**-**	(507)
Tax paid	**-**	(7,537)
Net cash generated from operating activities	**58,475**	210,630
Cash flows from investing activities		
Purchase of property, plant and equipment	**(75)**	(242)
Interest income	**887**	610
Net cash generated from investing activities	**812**	368
Cash flows from financing activities		
Proceeds from issuance of shares	**11,900**	-
Share issue expenses	**(450)**	-
Proceeds from subscriptions of shares in subsidiariesby non-controlling interests	**2,890**	-
Repayment of borrowings	**-**	(26,590)
Net cash generated from/(used in) financing activities	**14,340**	(26,590)
Net increase in cash and cash equivalents	**73,627**	184,408
Effects of exchange rate changes on cash and cash equivalents	**(9,725)**	(2,323)
Cash and cash equivalents at beginning of period	**431,470**	77,545
Cash and cash equivalents at end of period	**495,372**	259,630
Cash and cash equivalents comprise the following:		
Cash and bank balances	**495,372**	259,630

The Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying 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 2017 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 2017.

A2 Significant accounting policies

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 2017 except for the changes in accounting policies and presentation resulting from the adoption of new and revised MFRSs, Amendments to MFRS and Interpretation that are effective for financial periods beginning on or after 1 January 2018.

Except for MFRS 9 *Financial Instruments*, the adoption of these new and revised MFRSs, Amendments to MFRS and Interpretation did not have any material impact on the interim financial statements upon their initial application.

<u>MFRS 9 *Financial Instruments*</u>

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* effective from 1 January 2018. MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets, amortised cost, fair value through profit and loss ["FVTPL"] and fair value through other comprehensive income ["FVOCI"]. The basis of classification depends on the entity's business model and the cash flow characteristics of the financial assets.

The Group's debt instruments that were previously classified as loans and receivables are classified as amortised cost. Equity instruments previously classified as available-for-sale are measured as FVOCI and financial assets previously designated at FVTPL will continue to be measured on the same basis under MFRS 9.

The Group adopted an Expected Credit Loss ["ECL"] model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward looking and recognises the impairment loss based on expected credit losses. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under MFRS 15, lease receivables, loan commitments and certain financial guarantee contracts.

The Group applied this new standard retrospectively from 1 January 2018, with the practical expedients permitted under the standard, where comparatives are not restated.

The Group will refine the adjustments from the adoption of this new standard as facts and circumstances evolve during the current financial year.

The impacts arising from the adoption of MFRS 9 are set out below:

	As previouslyreported as at31 Dec 2017 RM'000	Adjustments Effects of adoption of MFRS 9 RM'000	**Restated as at 1January 2018** RM'000
Consolidated Statement of Financial Position			
Current Assets			
Trade and other receivables	**70,813**	(340)	**70,473**
Equity and Liabilities			
Retained earnings	**188,500**	(310)	**188,190**
Non-controlling interest	**41,397**	(30)	**41,364**

The Group has not adopted the following new MFRSs, Amendments to MFRSs and Interpretations issued by Malaysian Accounting Standards Board ["MASB"]:

MFRS, Amendments to MFRSs and Interpretation effective 1 January 2019

MFRS 16	*Leases*
Amendments to MFRS 9	*Prepayment Features with Negative Compensation*
Amendments to MFRS 119	*Plan amendment, Curtailment or Negative Compensation*
Amendments to MFRS 128#	*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 MFRSs and Interpretation effective 1 January 2020

Amendments to references to the Conceptual Framework in MFRS Standards

MFRS effective 1 January 2021

MFRS 17# *Insurance Contracts#*

Amendments to MFRSs (deferred, effective date to be announced by MASB)

MFRS 10 and MFRS 128# *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

\# *Not applicable to the Group's existing operations*

The Group is in the process of assessing the financial impacts on 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 2017 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 Apr 2018to 30 Jun 2018	PrecedingCorresponding Periodfrom 1 Apr2017to 30 Jun 2017	**Current Yearfrom 1Jan 2018to 30 Jun 2018**	PrecedingCorresponding Yearfrom 1 Jan 2017to 30 Jun2017
	RM'000	RM'000	**RM'000**	RM'000
Revenue by products				
Branded products	**2,946**	15,625	**5,799**	95,755
Non-branded products	**8,504**	46,307	**17,504**	136,602
Others	**3,608**	16,288	**5,669**	49,645
	15,058	78,220	**28,972**	282,002
Gross profit/(loss) by products				
Branded products	**119**	1,966	**379**	14,443
Non-branded products	**(1,228)**	5,684	**(2,168)**	20,229
Others	**(551)**	175	**(638)**	1,062
	(1,660)	7,825	**(2,427)**	35,734

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 income generating business is presently 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.

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.

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 Companyduring the current financial year to-date.

A9 Changes in debt and equity securities

During the current financial year to-date, 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 million new ordinary shares at an issue price of 5.2 sen per share on 26 January 2018; and

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

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.

The deadline for the Company to fully implement the above private placement was 16 July 2018 and on this date, there was a balance of 9,850,000 ordinary shares not yet issued and placed out. These shares were not placed out as the Company decided not to seek an extension of time from Bursa Securities for the said private placement.

Other than the above, 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

On 20 March 2018, the Company's subsidiary company, XingHe-JefiSdn. Bhd. (fkaXingHe Marketing Sdn. Bhd.) entered into a Joint Venture and Shareholders Agreement ["JVSA"] with two third parties to jointly establish a company under the name "Sea Tuna Industry Sdn. Bhd." to undertake the business of tuna and other seafood processing and trading. The conditions precedent set out in the JVSA were fulfilled on 18 June 2018 and on the same date, the Company subscribed for 3.12 million ordinary shares representing an equity interest of 52.0% in Sea Tuna Industry Sdn. Bhd. for a total cash consideration of RM3.12 million. On 2 August 2018, XingHe-JefiSdn. Bhd. changed its name to XingHe Marine Food Sdn. Bhd.

On 23 May 2018, the Company incorporated a wholly-owned subsidiary, XJ Marine Sdn. Bhd.

Both of the above subsidiaries have yet to commence active operations as of 23 August 2018.

Other than the above, there were no changes in the composition of the Group during the current financial quarter.

A11 Commitments

At the end of the current financial quarter, the Group has a capital commitment authorised and contracted for in respect of the purchase of plant and machinery amounting to RM1.9 million.

Pursuant to the JVSA referred to Note A10, the Group is committed to subscribe for a further RM4.4 million in the issued share capital of Sea Tuna Industry Sdn. Bhd. by 28 December 2018.

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

During the current financial year to-date, the Group paid factory rental of RM77,700 to a company in which persons connected with a director of a subsidiary have substantial interests.

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1 Review of performance

	Individual Period				Cumulative Period			
	Current Period from 1 Apr 2018 to 30 Jun 2018	Preceding CorrespondingPeriod from 1 Apr 2017 to 30 Jun 2017	Changes (+/-)		**Current Period from 1 Jan 2018 to 30 Jun 2018**	Preceding Corresponding Period from 1 Jan 2017 to 30 Jun 2017	Changes (+/-)	
	RM'000	RM'000	RM'000	%	**RM'000**	RM'000	RM'000	%
Revenue	**15,058**	78,220	-63,162	-80.7	**28,972**	282,002	-253,030	-89.7
(Loss)/profit before tax	**(9,459)**	106	-	-	**(6,575)**	23,106	-	-
(Loss)/profit for the period	**(9,469)**	106	-	-	**(6,585)**	17,358	-	-
(Loss)/profit attributable to owners of the Company	**(9,186)**	148	-	-	**(6,144)**	15,866	-	-

The anti-pollution campaign by the PRC authorities to cut emissions that would affect air quality ended on 15 March 2018. This campaign which involved industrial production curbs, restricting traffic and coal use had achieved its objective as PM2.5 concentrations in the Beijing-Tianjin-Hebei region fell 22.1% in the first quarter of 2018 to 74 micrograms per cubic metre from a year earlier. However, after the end of the anti-pollution campaign, a major smog indicator in the said region rose by a quarter at the end of March 2018, raising concerns that air pollution is increasing with the end of the campaign restrictions.

As a result of the above, PRC's environmental ministry and the Communist Party's anti-graft watchdog and personnel unit were again despatched to the provinces to check whether local cadres were doing their job to protect the environment and this has caused the local officials in Neihuang County (where the Group's plant is located) to overreact by shutting down all possible pollutant sources. Consequently the Group's plant could only operate 12 days during the current financial quarter ("CFQ")(10 days in the preceding financial quarter) and this has made it impossible for the Group to run its production for a reasonable of time to fulfil sales orders. As such, the Group had no choice but to stop accepting new orders for its products save and except where it has ready inventories on hand.

The above were the reasons for the year-on-year [“YoY”] decline of 80.7% in revenue to RM15.1 million for the CFQ from that of RM78.2 million achieved in the corresponding period of the last financial year.

Due to the drop in revenue, the Group incurred a loss before tax of RM9.5 million for the CFQ as compared to a profit before tax of RM106,000 in the previous year’s corresponding quarter. The CFQ’s loss include anunrealised foreign exchange loss of RM6.7 million while in the corresponding period of the last financial year, the Group had an unrealised foreign exchange gain of RM1.2 million. These unrealised foreign exchange differences were due to the Group’s net investment in the PRC and Hong Kong subsidiaries which is denominated in Renminbi (“RMB”) and Hong Kong Dollar (“HK$”) and on a YoY basis, RMB and HK$ depreciated by 3.9% and 6.5% against RM.

For the current financial year (“CFY”) to-date, revenue was down by 89.7% to RM29.0 million from that of RM282.0 million for the corresponding period of the last financial year. This decline was also due to the anti-pollution measures as described above. In line with this drop in revenue, the Group incurred a loss before tax of RM6.6 million for the CFY to-date as compared to a profit before tax of RM23.1 million achieved in the corresponding period of the last financial year.

B2 Comparison with immediate preceding quarter's results

	Current Period from 1 Apr 2018to 30 Jun 2018 RM'000	ImmediatePrecedingPeriod from 1 Jan 2018 to 31 Mar 2018 RM'000	Changes (+/-) RM'000	%
Revenue	**15,058**	13,914	1,144	8.2
(Loss)/profit before tax	**(9,459)**	2,884	-	-
(Loss)profitfor the period	**(9,469)**	2,884	-	-
(Loss)/profit attributable to owners of the Company	**(9,186)**	3,042	-	-

The Group's revenue for the CFQ of RM15.1 million increased by 8.2% from that of RM13.9 million achieved in the preceding financial quarter. This marginal increase was mainly due to increased sales volume as selling prices were more or less the same quarter-on-quarter ("QoQ").

The major portion of the loss before tax for the CFQ was attributed to the unrealised loss in foreign exchange of RM6.7 million while the profit before tax for the preceding financial quarter was caused by an unrealised gain in foreign exchange of RM5.2 million. If these foreign exchange differences are disregarded, the loss before tax for the CFQ would be RM2.8 million while the profit before tax of the preceding financial quarter would become a loss before tax of RM2.3 million; a difference of RM0.5 million (due to reduction in other operating expenses QoQ).

B3 Commentary on prospects

After 12 months of experiencing the impacts of PRC's campaign against environmental pollution on the Group's operations, the Group opined that it is unlikely that PRC will let up on its anti-pollution efforts and that environment curbs will be in place for a long time. Tangshan and Handan, two of the most polluted cities in Hebei Province had already decided to extend anti-pollution curbs until November 2018. Although this has not yet happened in Neihuang County, the anti-pollution enforcement by its local authorities was so strict that the Group's production plant only operated 4 days in July 2018. Premised on this, the Group anticipates that the coming financial quarter's performance will be tepid and in any case, the said quarter is a low season for the Group's peanut oil production.

Faced with the above challenges, the Group has taken steps to lessen the above negative by looking at new businesses and revenue streams in Malaysia. The investment in Sea Tuna Industry Sdn. Bhd. to undertake the business of tuna and other seafood processing and trading is but one of the effort taken by the Group in the said direction.

As mentioned earlier, the Group's net investment in its PRC and Hong Kong subsidiaries is denominated in RMB and HK$ respectively and as all of the Group's current transactions are denominated in RMB, ceteris paribus, the RMB and HK$ 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

The tax expense for the CFQ and CFY to-date was in respect of Malaysian income tax at the statutory rate of 24% on interest income which is deemed to be a non-business source and as such, is not eligible to be set-off against other operating expenses.

B6 Status of corporate proposals announced

The on-going post-completion matter arising from the private placement referred to in Note A9 in relation to the utilisation of the proceeds of the placement proceeds is as set out below:

Purpose	**Proposed utilisation** RM'000	**Actual utilisationup to23 Aug 2018** RM'000	**Estimated timeframe for utilisation from 26 Jan 2018 (date of 1st placement)**
Working capital/Funding future investments or business projects in Malaysia	11,640	4,509	Within 24 months
Expenses relating to the private placement	260	260	Within 1 month
Total proceeds	11,900	4,769	

Other than the above, there were no corporate proposals announced but not completed as at 23 August 2018.

B7 Borrowings and debt securities

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

B8 Material litigation

The Group has no material litigation pending as of 23 August 2018.

B9 Dividends payable

No dividend has been declared or recommended for the CFY to-date.

B10 Earningsper share

(a) Basic loss per share

The basic loss per share of 0.357sen and 0.242senfor the CFQ and the CFY to-date respectively were derived as follows:

	Individual current quarter from1Apr2018to30 Jun 2018	**Cumulative currentyearfrom 1 Jan 2018to30 Jun 2018**
Loss attributable to owners of the Company(RM'000)	**9,186**	**6,144**
Weighted average number of ordinary shares in issue ('000)	**2,573,500**	**2,536,345**

(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 CFQand the CFY to-date 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 CFQ.

B11 Loss before tax

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

	Individual currentquarterfrom 1 Apr 2018to 30 Jun 2018 RM'000	Cumulative currentyear from 1 Jan 2018to 30 Jun 2018 RM'000
Interest income	**474**	**887**
Amortisation of government grant	**87**	**174**
Other income including investment income	**-**	**-**
Interest expenses	**-**	**-**
Depreciation of property, plant and equipment	**(663)**	**(1,321)**
Amortisation of land use rights	**(93)**	**(187)**
Provision for and write-off of inventories	**-**	**-**
Impairment of assets	**-**	**-**
Gain or (loss) on disposal of quoted or unquoted investments or properties	**-**	**-**
Allowance for doubtful debts written back	**-**	**(310)**
Gain or (loss) on derivatives	**-**	**-**
Foreign exchange gain or (loss)	**(6,730)**	**(1,557)**
Exceptional items (with details)	**-**	**-**

By Order of the Board

Datuk Tan LehKiah
Lim ChienJoo (Ms)
Company Secretaries

30 August 2018