XingHe Holdings Berhad

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

INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL QUARTER FROM 1 JULY 2018 TO 30 SEPTEMBER 2018

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XingHe Holdings Berhad

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

Interim Financial Statements for the Financial Quarter Ended 30 September 2018

Consolidated Statement of Profit or Loss (Unaudited)

		Individual Period		Cumulative Period	
	Note	**Current Period from 1 Jul 2018 to 30 Sept 2018 RM'000**	Preceding Corresponding Period from 1 Jul 2017 to 30 Sept 2017 RM'000	**Current Year from 1 Jan 2018 to 30 Sept 2018 RM'000**	Preceding Corresponding Year from 1 Jan 2017 to 30 Sept 2017 RM'000
Revenue	A4	**11,814**	32,313	**40,786**	314,315
Cost of sales		**(13,052)**	(40,734)	**(44,451)**	(287,002)
Gross (loss)/profit	A4	**(1,238)**	(8,421)	**(3,665)**	27,313
Other income		**537**	899	**1,597**	1,234
Selling and distribution costs		**(222)**	(1,841)	**(769)**	(9,881)
Administrative expenses		**(1,129)**	(1,455)	**(4,233)**	(8,070)
Finance costs		**-**	4	**-**	(503)
Unrealised foreign exchange (loss)/gain		**(5,846)**	1,179	**(7,403)**	3,378
(Loss)/profit before tax	B11	**(7,898)**	(9,635)	**(14,473)**	13,471
Tax expense	B5	**(6)**	2,799	**(16)**	(2,949)
(Loss)/profit for the period		**(7,904)**	(6,836)	**(14,489)**	10,522
Attributable to:					
Owners of the Company		**(7,539)**	(6,127)	**(13,683)**	9,739
Non-controlling interests		**(365)**	(709)	**(806)**	783
		(7,904)	(6,836)	**(14,489)**	10,522
(Loss)/earnings per share attributable to owners of the Company:					
Basic (sen)	B10	**(0.29)**	(0.26)	**(0.54)**	0.41

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 Period from 1 Jul 2018 to 30 Sept 2018 RM'000	Preceding Corresponding Period from 1 Jul 2017 to 30 Sept 2017 RM'000	**Current Year from 1 Jan 2018 to 30 Sept 2018 RM'000**	Preceding Corresponding Year from 1 Jan 2017 to 30 Sept 2017 RM'000
(Loss)/profit for the period	**(7,904)**	(6,836)	**(14,489)**	10,522
Other comprehensive loss				
Foreign currency translations	**(646)**	(652)	**(11,211)**	(11,314)
Total comprehensive loss for the period	**(8,550)**	(7,488)	**(25,700)**	(792)
Attributable to:				
Owners of the Company	**(8,179)**	(6,775)	**(24,926)**	(874)
Non-controlling interests	**(371)**	(713)	**(774)**	82
	(8,550)	(7,488)	**(25,700)**	(792)

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 September 2018

Consolidated Statement of Financial Position

	30 Sept 2018 RM'000 (Unaudited)	31 Dec 2017 RM'000 (Audited) (Restated)
NON-CURRENT ASSETS		
Property, plant and equipment	**14,992**	17,234
Land use rights	**10,824**	11,481
	25,816	28,715
CURRENT ASSETS		
Inventories	**9,888**	11,517
Trade and other receivables	**9,581**	70,473
Advance for peanut purchase	**120,426**	-
Current tax assets	**1,537**	1,590
Cash and bank balances	**362,023**	431,470
	503,455	515,050
TOTAL ASSETS	**529,271**	543,765
EQUITY AND LIABILITIES		
Share capital	**296,693**	285,259
Reserves	**163,264**	188,190
Equity attributable to owners of the Company	**459,957**	473,449
Non-controlling interests	**43,470**	41,364
TOTAL EQUITY	**503,427**	514,813
NON-CURRENT LIABILITIES		
Trade and other payables	**3,261**	3,272
Deferred tax liabilities	**15,343**	15,343
	18,604	18,615
CURRENT LIABILITIES		
Trade and other payables	**6,801**	9,637
Current tax liabilities	**16**	-
Government grant	**423**	700
	7,240	10,337
TOTAL LIABILITIES	**25,844**	28,952
TOTAL EQUITY AND LIABILITIES	**529,271**	543,765
Net assets per share (sen)	**19.6**	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 the accompanying explanatory notes attached to this interim financial statements.

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	-	-	-	-	-	-	9,739	9,739	783	10,522
Foreign currency translation, net of tax	-	-	-	-	-	(10,613)	-	(10,613)	(701)	(11,314)
Total comprehensive (loss)/income	-	-	-	-	-	(10,613)	9,739	(874)	82	(792)
At 30 September 2017 (Restated)	285,259		3,983	18,901	(154,550)	78,399	271,967	503,959	42,567	546,526

XingHe Holdings Berhad

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Interim Financial Statements for the Financial Quarter Ended 30 September 2018

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

	Attributable to the owners of the Company								
	Share capital	Capital reserve	Statutory reserve	Reverse acquisition reserve	Exchange translation reserve	Retained earnings	Total	Non-controlling interests	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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
<u>Transactions with owners of the Company</u>									
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	(466)	-	-	-	-	-	(466)	-	(466)
	11,434	-	-	-	-	-	11,434	-	11,434
Subscription of shares in a subsidiary company by non-controlling interest	-	-	-	-	-	-	-	2,880	2,880
Loss for the period	-	-	-	-	-	(13,683)	(13,683)	(806)	(14,489)
Foreign currency translation, net of tax	-	-	-	-	(11,243)	-	(11,243)	32	(11,211)
Total comprehensive loss	-	-	-	-	(11,243)	(13,683)	(24,926)	(774)	(25,700)
At 30 September 2018	**296,693**	**3,983**	**18,901**	**(154,550)**	**50,216**	**244,714**	**459,957**	**43,470**	**503,427**

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 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 September 2018

Unaudited Consolidated Statement of Cash Flows (Unaudited)

	Current Year from 1 Jan 2018 to 30 Sept 2018 RM'000	Preceding Year from 1 Jan 2017 to 30 Sept 2017 RM'000
Cash flows from operating activities		
(Loss)/profit before tax	**(14,473)**	13,471
Adjustments for:		
Finance costs	**-**	503
Interest income	**(1,332)**	(966)
Allowance for doubtful debts written back	**(310)**	-
Amortisation of government grant	**(258)**	(269)
Depreciation of property, plant and equipment	**1,965**	1,699
Amortisation of land use rights	**278**	289
Unrealised foreign exchange loss/(gain)	**7,403**	(3,378)
Operating (loss)/profit before working capital changes	**(6,727)**	11,349
Changes in working capital:		
Inventories	**1,243**	(11,421)
Advances for peanut purchases	**(120,426)**	31,704
Receivables	**50,770**	198,320
Payables	**4,614**	(1,115)
Cash flows (used in)/generated from operations	**(70,526)**	228,837
Interest paid	**-**	(503)
Tax paid	**-**	(10,540)
Net cash (used in)/generated from operating activities	**(70,526)**	217,794
Cash flows from investing activities		
Purchase of property, plant and equipment (Note A)	**(146)**	(512)
Interest income	**1,332**	966
Net cash generated from investing activities	**1,186**	454
Cash flows from financing activities		
Proceeds from issuance of shares	**11,900**	-
Share issue expenses	**(466)**	-
Proceeds from subscriptions of shares in subsidiaries by non-controlling interests	**2,890**	-
Repayment of borrowings	**-**	(26,631)
Net cash generated from/(used in) financing activities	**14,324**	(26,631)
Net (decrease)/increase in cash and cash equivalents	**(55,016)**	191,617
Effects of exchange rate changes on cash and cash equivalents	**(14,431)**	594
Cash and cash equivalents at beginning of period	**431,470**	77,545
Cash and cash equivalents at end of period	**362,023**	269,756
Cash and cash equivalents comprise the following:		
Cash and bank balances	**354,523**	269,756
Short term money market deposits	**7,500**	-
	362,023	269,756

Unaudited Consolidated Statement of Cash Flows (Unaudited) (Continued)

Note A

The Group acquired property, plant and equipment with aggregate costs of RM266,000 during the current financial year to-date of which RM120,000 were acquired by means of hire purchase. Cash payments of RM68,000 were made by the Group to purchase the said property, plant and equipment. The purchase of property, plant and equipment by the Group in the corresponding period of the previous financial year was outright purchases and paid for in cash.

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 [**"CFY"**].

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

	As previously reported as at 31 Dec 2017	<u>Adjustments</u> Effects of adoption of MFRS 9	**Restated as at 1 January 2018**
	RM'000	RM'000	RM'000
Consolidated Statement of Financial Position			
<u>Current Assets</u>			
Trade and other receivables	**70,813**	(340)	**70,473**
<u>Equity and Liabilities</u>			
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"**]:

<u>MFRS, Amendments to MFRSs and Interpretation effective 1 January 2019</u>

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

<u>Amendments to MFRSs and Interpretations effective 1 January 2020</u>

Amendments to references to the Conceptual Framework in MFRS Standards

<u>MFRS effective 1 January 2021</u>

MFRS 17# *Insurance Contracts#*

<u>Amendments to MFRSs (deferred, effective date to be announced by MASB)</u>

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 Period from 1 Jul 2018 to 30 Sept 2018 RM'000	Preceding Corresponding Period from 1 Jul 2017 to 30 Sept 2017 RM'000	**Current Year from 1 Jan 2018 to 30 Sept 2018 RM'000**	Preceding Corresponding Year from 1 Jan 2017 to 30 Sept 2017 RM'000
Revenue by products				
Branded products	**3,180**	4,792	**8,979**	100,547
Non-branded products	**6,031**	21,781	**23,535**	158,383
Others	**2,603**	5,740	**8,272**	55,385
	11,814	32,313	**40,786**	314,315
Gross profit/(loss) by products				
Branded products	**333**	27	**712**	14,470
Non-branded products	**(1,043)**	(7,683)	**(3,211)**	12,546
Others	**(528)**	(765)	**(1,166)**	297
	(1,238)	(8,421)	**(3,665)**	27,313

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 CFY to-date.

A6 Changes in estimates

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

A9 Changes in debt and equity securities

During the CFY 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 CFY 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 [**"CFQ"**].

On 31 October 2018, the Company acquired 10,000 ordinary shares representing the balance equity interest of 10% not owned by the Company in its subsidiary company, XingHe Marine Food Sdn Bhd [**"XingHe Marine Food"**] for a cash consideration of RM10,000, thereby making XingHe Marine Food a wholly-owned subsidiary company of the Company.

A11 Commitments

At the end of the CFQ, 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 Joint Venture and Shareholders Agreement of 20 March 2018 signed between XingHe Marine Food (then known as XingHe-Jefi Sdn. Bhd.) 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, XingHe Marine Food 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 CFQ, which have not been reflected in the interim financial statements.

A14 Related party transactions

During the CFY to-date, the Group paid factory rental of RM167,700 to a company in which persons connected with an ex-director of a subsidiary company have substantial interests.

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1 Review of performance

	Individual Period				Cumulative Period			
	Current Period from 1 Jul 2018 to 30 Sept 2018	Preceding Corresponding Period from 1 Jul 2017 to 30 Sept 2017	Changes (+/-)		**Current Period from 1 Jan 2018 to 30 Sept 2018**	Preceding Corresponding Period from 1 Jan 2017 to 30 Sept 2017	Changes (+/-)	
	RM'000	RM'000	RM'000	%	**RM'000**	RM'000	RM'000	%
Revenue	**11,814**	32,313	-20,499	-63.4	**40,786**	314,315	-273,529	-87.0
(Loss)/profit before tax	**(7,898)**	(9,635)	-1,737	-18.0	**(14,473)**	13,471	-	-
(Loss)/profit for the period	**(7,904)**	(6,836)	+1,068	+15.6	**(14,489)**	10,522	-	-
(Loss)/profit attributable to owners of the Company	**(7,539)**	(6,127)	+1,412	+23.0	**(13,683)**	9,739	-	-

Although PRC's Ministry of Ecology and Environment said that the Beijing-Tianjin-Hebei region had achieved a 25% cut in PM2.5 over the last few months, the present slowing growth and fallout from the trade war with the United States had led to growth-obsessed local governments turning a blind eye to polluting local enterprises. This was confirmed by PRC's procuratorate which states that prosecutions for environmental crimes was up 44% year-on-year [**"YoY"**] for the first 10 months of 2018. As a consequence, the central government in Beijing has launched a series of reviews into the way local officials rectify violations, focusing on what it described as "fraudulent", "superficial" or "perfunctory" efforts to meet pollution standards. The provinces which were accused of such efforts by the Ministry of Ecology and Environment were the provinces of Henan and Yunnan, the region of Guangxi and parts of Guangdong province. At the same time, the central government is also making use of its feared corruption-busting body to crack down on local government violations and anti-corruption teams throughout Mainland China have been investigating officials for failing to rectify environmental problems.

As a result of the above, the local cadres in Neihuang County, Henan Province (where the Group's plant is located) became over-zealous and shut down all possible pollutant sources. Consequently the Group's plant operated 18 days during the CFQ (26 days in the preceding year corresponding 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 that caused the Group's revenue for the CFQ and the CFY to-date to decline by 63.4% and 87.0% YoY to RM11.8 million and RM40.8 million respectively. As for the loss before tax for the CFQ, it was lower by 18.0% YoY compared to that of the preceding year corresponding quarter. It should be noted that RM5.8 million of the loss before tax for the CFQ of RM7.9 million was attributed to foreign exchange loss. In the preceding year corresponding quarter, the Group had a foreign exchange gain of RM1.2 million. These exchange differences were due to the Group's net investment in its PRC and Hong Kong subsidiaries which is denominated in Renminbi [**"RMB"**] and Hong Kong Dollar [**"HK$"**] respectively and on a YoY basis, RMB and HK$ depreciated by 5.0% and 2.2% against RM.

As for the Group's results for the CFY to-date, the loss incurred was mainly due to the YoY drop of 87.0% in revenue. Foreign exchange loss accounted for RM7.4 million or 51.1`% of the loss before tax for the CFY to-date. This loss was caused by the depreciation of RMB and HK$ vis-à-vis RM YoY as mentioned above.

B2 Comparison with immediate preceding quarter's results

	Current Period from 1 Jul 2018 to 30 Sept 2018	Immediate Preceding Period from 1 Apr 2018 to 30 Jun 2018	Changes (+/-)	
	RM'000	RM'000	RM'000	%
Revenue	**11,814**	15,058	-3,244	-21.5
Loss before tax	**7,898**	9,459	-1,561	-16.5
Loss for the period	**7,904**	9,469	1,565	-16.5
Loss attributable to owners of the Company	**7,539**	9,186	-1,647	-17.9

The Group's revenue for the CFQ of RM11.8 million was 21.5% lower than that of RM15.1 million achieved in the preceding financial quarter. This decrease was due to lower sales volume and marginally lower selling prices quarter-on-quarter [**"QoQ"**].

Despite the above decline in revenue, the Group's loss before tax was reduced by 16.5% QoQ to RM7.9 million. This loss reduction was mainly due to lower administrative expenses (decrease of RM293,000) and unrealised foreign exchange loss (decrease of RM884,000).

B3 Commentary on prospects

The anti-pollution measures which were detailed in Note B1 are not expected to ease off with the start of the winter heating season and a lack of wind during winter in Northern China to disperse pollutants. This was already evident from the fact that the Group's production plant only operated 4 days in October 2018. In any case, PRC's President Xi JinPing had in a speech earlier this year promised to deploy the full weight of the state to reverse decades of environmental damage, thereby forcing several ministries and regulators to draw-up their own plans to fight pollution.

Premised on this, the Group anticipates that its plant will continue to face production curbs in November and December 2018. This would adversely affect the Group's results in the coming months which are normally good performing months due to coming Lunar New Year festivities.

In view of the above uncontrollable factors, the Group is actively looking at new businesses and revenue streams not only in PRC but also in Malaysia. In this respect, the Group has decided that it will be more active in raw peanuts trading in the coming quarters. Although the margins from this business are relatively low, the Group felt that this action is also part corporate social responsibility as sizeable portion of the raw peanuts will be sourced from the local farmers in Neihuang County who have supported the Group in the past.

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 and realised gain in foreign exchange of the Malaysian subsidiary companies which are deemed to be from non-business sources and as such, are 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 placement proceeds is as set out below:

Purpose	**Proposed utilisation** RM'000	**Actual utilisation up to 23 Nov 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	4,771	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 22 November 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 22 November 2018.

B9 Dividends payable

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

B10 Loss per share

(a) Basic loss per share

The basic loss per share of 0.29 sen and 0.54 sen for the CFQ and CFY to-date respectively were derived as follows:

	Individual Current Quarter from 1 Jul 2018 to 30 Sept 2018	Cumulative Current Year from 1 Jan 2018 to 30 Sept 2018
Loss attributable to owners of the Company (RM'000)	**7,539**	**13,683**
Weighted average number of ordinary shares in issue ('000)	**2,573,500**	**2,548,866**

(b) Diluted loss per share

The diluted loss per share is the same as the basic loss per share as the average market prices of the ordinary shares during and as at the end of the CFQ and CFY to-date were 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 and CFY to-date.

B11 Loss before tax

Loss before tax for the CFQ and CFY to-date was derived after taking into account of the following income/(expenses) items:

	Individual Current Quarter from 1 Jul 2018 to 30 Sept 2018 RM'000	Cumulative Current Year from 1 Jan 2018 to 30 Sept 2018 RM'000
Interest income	**445**	**1,332**
Amortisation of government grant	**84**	**258**
Other income including investment income	**534**	**1,594**
Interest expenses	**-**	**-**
Depreciation of property, plant and equipment	**(644)**	**(1,965)**
Amortisation of land use rights	**(91)**	**(278)**
Provision for and write-off of inventories	**(16)**	**(16)**
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	**-**	**-**
Realised foreign exchange gain	**3**	**3**
Unrealised foreign exchange loss	**(5,846)**	**(7,403)**
Exceptional items (with details)	**-**	**-**

By Order of the Board

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

29 November 2018