



XingHe Holdings Berhad

(Company No. 643114-X)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL QUARTER FROM 1 OCTOBER 2018 TO 31 DECEMBER 2018

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XingHe Holdings Berhad

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Interim Financial Statements for the Financial Quarter Ended 31 December 2018

Consolidated Statement of Profit or Loss

	Note	Individual Period		Cumulative Period	
		Current Period from 1 Oct 2018 to 31 Dec 2018 RM'000 (Unaudited)	Preceding Corresponding Period from 1 Oct 2017 to 31 Dec 2017 RM'000 (Unaudited)	Current Year from 1 Jan 2018 to 31 Dec 2018 RM'000 (Unaudited)	Preceding Corresponding Year from 1 Jan 2017 to 31 Dec 2017 RM'000 (Audited)
Revenue	A4	274,215	43,145	315,001	357,460
Cost of sales		(267,438)	(46,239)	(311,889)	(333,241)
Gross profit/(loss)	A4	6,777	(3,094)	3,112	24,219
Other income		585	447	2,182	1,682
Selling and distribution costs		(145)	(3,683)	(914)	(13,564)
Administrative expenses		(2,720)	(2,854)	(6,937)	(10,924)
Finance costs		(1)	(474)	(1)	(977)
Impairment of property, plant and equipment		(13,720)	-	(13,720)	-
Inventories write-down		(3,183)	(2,415)	(3,199)	(2,415)
Unrealised foreign exchange (loss)/gain		907	7,455	(6,496)	10,832
(Loss)/profit before tax	B11	(11,500)	(4,618)	(25,973)	8,853
Tax income/(expense)	B5	1,139	(12,684)	1,123	(15,633)
(Loss)/profit for the period/year		(10,361)	(17,302)	(24,850)	(6,780)
Attributable to:					
Owners of the Company		(9,253)	(16,425)	(22,936)	(6,686)
Non-controlling interests		(1,108)	(877)	(1,914)	(94)
		(10,361)	(17,302)	(24,850)	(6,780)
(Loss)/earnings per share attributable to owners of the Company:					
Basic (sen)	B10	(0.36)	(0.70)	(0.90)	(0.29)

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.

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Consolidated Statement of Other Comprehensive Income

	Individual Period		Cumulative Period	
	Current Period from 1 Oct 2018 to 31 Dec 2018 RM'000 (Unaudited)	Preceding Corresponding Period from 1 Oct 2017 to 31 Dec 2017 RM'000 (Unaudited)	Current Year from 1 Jan 2018 to 31 Dec 2018 RM'000 (Unaudited)	Preceding Corresponding Year from 1 Jan 2017 to 31 Dec 2017 RM'000 (Audited)
Loss for the period/year	(10,361)	(17,302)	(24,850)	(6,780)
Other comprehensive profit/(loss)				
Effects of adoption of MFRS 9	30	-	30	-
Foreign currency translations	1,366	(17,541)	(9,845)	(28,855)
Total comprehensive loss for the period/year	(8,965)	(34,843)	(34,665)	(35,635)
Attributable to:				
Owners of the Company	(7,829)	(34,669)	(32,755)	(34,239)
Non-controlling interests	(1,136)	(174,201)	(1,910)	(1,396)
	(8,965)	(34,843)	(34,665)	(35,635)

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.



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Consolidated Statement of Financial Position

	31 Dec 2018 RM'000 (Unaudited)	31 Dec 2017 RM'000 (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	809	17,234
Land use rights	11,031	11,481
	<u>11,840</u>	<u>28,715</u>
CURRENT ASSETS		
Inventories	550	11,517
Trade and other receivables	306,097	70,813
Advances for peanut purchases	137,214	-
Current tax assets	1,531	1,590
Cash and bank balances	260,556	431,470
	<u>705,948</u>	<u>515,390</u>
TOTAL ASSETS	<u>717,788</u>	<u>544,105</u>
EQUITY AND LIABILITIES		
Share capital	296,693	285,259
Reserves	155,435	188,500
Equity attributable to owners of the Company	<u>452,128</u>	<u>473,759</u>
Non-controlling interests	42,334	41,394
TOTAL EQUITY	<u>494,462</u>	<u>515,153</u>
NON-CURRENT LIABILITIES		
Trade and other payables	3,169	3,272
Borrowings	95	-
Deferred tax liabilities	14,141	15,343
	<u>17,405</u>	<u>18,615</u>
CURRENT LIABILITIES		
Borrowings	196,763	-
Trade and other payables	9,147	9,637
Current tax liabilities	11	-
Government grant	-	700
	<u>205,921</u>	<u>10,337</u>
TOTAL LIABILITIES	<u>223,326</u>	<u>28,952</u>
TOTAL EQUITY AND LIABILITIES	<u>717,788</u>	<u>544,105</u>
Net assets per share (sen)	<u>19.2</u>	<u>21.9</u>

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.

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Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company							Total 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	Non-controlling interests RM'000	
Audited								
At 1 January 2017	234,850	3,983	18,901	(154,550)	89,012	265,391	42,792	550,788
<u>Transaction with owners of the Company</u>								
Dilution of interest in a subsidiary company/Total transaction with owners	-	-	-	-	-	2	(2)	-
Transition to no par value regime	50,409	(50,409)	-	-	-	-	-	-
Loss for the year	-	-	-	-	-	(6,686)	(94)	(6,780)
Foreign currency translation, net of tax	-	-	-	-	(27,553)	-	(1,302)	(28,855)
Total comprehensive loss	-	-	-	-	(27,553)	(6,686)	(1,396)	(35,635)
At 31 December 2017	285,259	3,983	18,901	(154,550)	61,459	258,707	41,394	515,153

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Consolidated Statement of Changes in Equity (Continued)

	Attributable to the owners of the Company							Total RM'000
	Share capital RM'000	Capital reserve RM'000	Statutory reserve RM'000	Reverse acquisition reserve RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	Non-controlling interests RM'000	
Unaudited								
At 31 December 2017	285,259	3,983	18,901	(154,550)	61,459	258,397	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	258,087	41,364	514,813
Transactions with owners of the Company								
Issue of shares pursuant to private placement	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)
	11,434	-	-	-	-	-	-	11,434
Subscription of shares in a subsidiary company by non-controlling interest	-	-	-	-	-	-	2,880	2,880
Loss for the year	-	-	-	(22,936)	-	(22,936)	(1,914)	(24,850)
Effects of adoption of MFRS 9	-	-	-	-	-	-	30	30
Foreign currency translation, net of tax	-	-	-	(9,819)	(9,819)	-	(26)	(9,845)
Total comprehensive loss	-	-	-	(9,819)	(9,819)	(22,936)	(1,910)	(34,665)
At 31 December 2018	296,693	3,983	18,901	(154,550)	51,640	235,461	42,334	494,462

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.

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Consolidated Statement of Cash Flows

	Current Year from 1 Jan 2018 to 31 Dec 2018 RM'000 (Unaudited)	Preceding Year from 1 Jan 2017 to 31 Dec 2017 RM'000 (Audited)
Cash flows from operating activities		
(Loss)/profit before tax	(25,973)	8,853
Adjustments for:		
Finance costs	1	977
Interest income	(1,485)	(1,325)
Allowance for doubtful debts written back	(310)	-
Inventories write-down	3,199	2,415
Impairment of property, plant and equipment	13,720	-
Impairment of other receivables	144	83
Loss on disposal of property, plant and equipment	-	6
Amortisation of government grant	(686)	(357)
Depreciation of property, plant and equipment	2,610	2,718
Amortisation of land use rights	92	384
Unrealised foreign exchange loss/(gain)	6,496	(10,832)
Operating (loss)/profit before working capital changes	(2,192)	2,922
Changes in working capital:		
Inventories	7,408	(1,591)
Advances for peanut purchases	(137,214)	-
Receivables	(247,455)	391,980
Payables	9,647	(3,624)
Cash flows (used in)/generated from operations	(369,806)	389,687
Interest paid	(1)	(501)
Tax paid	(11)	(6,865)
Net cash (used in)/generated from operating activities	(369,818)	382,321
Cash flows from investing activities		
Purchase of property, plant and equipment (Note A)	(152)	(1,097)
Proceeds from disposal of property, plant and equipment	-	195
Interest income	1,485	1,325
Net cash generated from investing activities	1,333	423
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	2,880	-
Drawdown/(repayment) of borrowings	196,741	(26,165)
Repayment of hire purchase liabilities	(3)	-
Net cash generated from/(used in) financing activities	211,052	(26,165)
Net (decrease)/increase in cash and cash equivalents	(157,433)	356,579
Effects of exchange rate changes on cash and cash equivalents	(13,481)	(2,654)
Cash and cash equivalents at beginning of year	431,470	77,545
Cash and cash equivalents at end of year	260,556	431,470
Cash and cash equivalents comprise the following:		
Cash and bank balances	260,556	431,470

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Consolidated Statement of Cash Flows (Continued)

Note A

The Group acquired property, plant and equipment with aggregate costs of RM272,000 during the current financial year of which RM120,000 were acquired by means of hire purchase. Cash payments of RM62,000 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.

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Interim Financial Statements for the Financial Quarter Ended 31 December 2018

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.

MFRS 9 *Financial Instruments*

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"].

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

	As previously reported as at 31 Dec 2017 RM'000	<u>Adjustments</u> Effects of adoption of MFRS 9 RM'000	Restated as at 1 January 2018 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>			
Reserves	188,500	(310)	188,190
Non-controlling interests	41,394	(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	<i>Leases</i>
Amendments to MFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to MFRS 119	<i>Plan amendment, Curtailment or Negative Compensation</i>
Amendments to MFRS 128#	<i>Long-term interest in Associates and Joint Venture</i>
IC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>
Annual Improvements to MFRS Standards 2015-2017 Cycle	

Amendments to MFRSs and Interpretations 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.

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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 Oct 2018 to 31 Dec 2018 RM'000	Preceding Corresponding Period from 1 Oct 2017 to 31 Dec 2017 RM'000	Current Year from 1 Jan 2018 to 31 Dec 2018 RM'000	Preceding Corresponding Year from 1 Jan 2017 to 31 Dec 2017 RM'000
Revenue by products				
Branded products	9,066	5,898	18,046	106,445
Non-branded products	1,516	17,577	25,050	175,960
Others	263,633	19,670	271,905	75,055
	274,215	43,145	315,001	357,460
Gross profit/(loss) by products				
Branded products	1,443	314	2,155	14,784
Non-branded products	36	(2,734)	(3,175)	9,812
Others	5,298	(674)	4,132	(377)
	6,777	(3,094)	3,112	24,219

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.

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.

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A7 Seasonality or cyclicalness 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 cyclicalness effects.

A8 Dividends paid

No dividends were paid by the Company during the CFY.

A9 Changes in debt and equity securities

During the CFY, 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.

A10 Changes in the composition of the Group

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.

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

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.

A12 Contingent liabilities and contingent assets

The Group has no contingent liabilities or contingent assets since the end of the previous financial year.

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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, the Group paid factory rental and factory refurbishment costs of RM167,700 and RM120,000 respectively to a company in which persons connected with an ex-director of a subsidiary company have substantial interests.



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B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1 Review of performance

	Current Period from 1 Oct 2018 to 31 Dec 2018 RM'000	Individual Period Preceding Corresponding Period from 1 Oct 2017 to 31 Dec 2017 RM'000	Changes (+/-) RM'000	%	Current Period from 1 Jan 2018 to 31 Dec 2018 RM'000	Cumulative Period Preceding Corresponding Period from 1 Jan 2017 to 31 Dec 2017 RM'000	Changes (+/-) RM'000	%
Revenue	274,215	43,145	+231,070	+535.6	315,001	357,460	-42,459	-11.9
(Loss)/profit before tax	(11,500)	(4,618)	-6,882	-149.0	(25,973)	8,853	-	-
Loss for the period	(10,361)	(17,302)	+6,941	+40.1	(24,850)	(6,780)	-18,070	-266.5
Loss attributable to owners of the Company	(9,253)	(16,425)	+7,172	+43.7	(22,936)	(6,686)	-16,250	-243.0

Henan Province where the Group's plant is located was hit by unfavourable weather during the CFQ and as a consequence, its air pollution worsened even as other regions improved. Anyang City which is the Group's home city was the Henan Province's worst performer with average concentrations of PM2.5 at 124mcg, up 27% year-on-year ["YoY"]. PRC's official air quality standard is 35mcg although the World Health Organisation recommends an average of no more than 10mcg. As the provincial government was tasked by PRC's Ministry of Ecology and Environment to be accountable for the problem, regardless of the weather, it has restricted industrial output and traffic in Anyang City for a second year in a bid to cut emissions during the CFQ which incidentally is also the winter heating period, when thousands of coal-burning heaters are switched on (due to inadequate supply of natural gas).

Consequently the Group's plant operated 4 days during the CFQ (20 days in the preceding year corresponding quarter) and this has made it impossible for the Group to run its production for a reasonable 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. This has caused the Group's revenue from edible oil to drop from RM23.5 million in the preceding year corresponding quarter to RM10.5 million. On an annual basis, the Group's sales of edible oil has dropped more than 6-fold from RM282.4 million in the previous financial year to RM43.1 million for the CFY.

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At the behest of Henan Finance Bureau, the strategic investment arm of the Henan Province People's Government, the Group became more active in raw peanuts trading during the CFQ and as a result, its total revenue for the CFQ increased by more than 5-fold YoY to RM274.2 million from that of RM43.1 million achieved in the preceding year corresponding quarter. This massive jump in revenue enabled the Group's revenue for the CFY to come in just 11.9% lower than that of the preceding financial year.

As for the loss before tax for the CFQ of RM11.5 million, it was 1.5-times higher than the loss before tax of RM4.6 million for the preceding year corresponding quarter. The massive increase in revenue QoQ did not impact the bottom line much as the average margin from peanuts trading is about 2%. The CFQ loss was also due to the Group impairing its property, plant and equipment (due to under capacity) and writing-down its inventories by RM13.7 million and RM3.2 million respectively.

Although the loss before tax for the CFQ was higher YoY, the net loss for the CFQ of RM10.4 million was lower than that of RM17.3 million for the preceding year corresponding quarter. This was mainly due to the provision for deferred tax liabilities of RM13.8 million last year 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. This was also the reason for the decline in the loss attributable to the owners of the Company by 43.7% YoY.

As for the Group's results for the CFY, the loss incurred was mainly due to the impairment of property, plant and equipment and inventories write-down as described above. Another contribution to the loss was the unrealised foreign exchange loss of RM6.5 million for the CFY. In the preceding financial year, the Group had an unrealised foreign gain of RM10.8 million.

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B2 Comparison with immediate preceding quarter's results

	Current Period from 1 Oct 2018 to 31 Dec 2018 RM'000	Immediate Preceding Period from 1 Jul 2018 to 30 Sept 2018 RM'000	Changes (+/-)	
			RM'000	%
Revenue	274,215	11,814	+262,401	+2,221.1
Loss before tax	11,500	7,898	+3,602	+45.6
Loss for the period	10,361	7,904	+2,457	+31.1
Loss attributable to owners of the Company	9,253	7,539	+1,714	+22.7

The giant leap in revenue of the CFQ on a quarter-on-quarter ["QoQ"] was due to raw peanuts trading which was ramped-up during the CFQ. Despite this massive increase in revenue, the losses for the CFQ was higher than those of the immediate preceding financial quarter. This was mainly due to the impairment of property, plant and equipment and inventories write-down during the CFQ detailed in Note B1.

B3 Commentary on prospects

The deterioration in the Group's performance since August 2016 was primarily due to the anti-pollution measures undertaken by the PRC government. The Group foresees that these measures are not going away any time soon as the annual Central Economic Work Conference held in mid-December 2018 had reiterated that PRC will continue to pursue pollution reduction which is one of President Xi Jinping's top 3 areas of concern.

Premised on this, the Group anticipates that its plant will continue to face production curbs in the foreseeable future. Although the Group has increased its peanuts trading activities, it must be recognised that the margin from this business is very thin and as mentioned in Note B1, entered into at Henan Finance Bureau's behest and in furtherance of poverty alleviation which is another of President Xi's top areas of concern.

It was in view of the above that the Group undertook the prawn farm acquisition detailed in Note B6. The Group is positive that once the acquisition is completed, it will contribute positively to the Group's financial performance. In the meantime, the Group will continue to actively look for new businesses and revenue streams in Malaysia to mitigate the current issues that it faces in PRC.

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.



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B5 Tax income/(expense)

	Individual current quarter from 1 Oct 2018 to 31 Dec 2018 RMB'000	Cumulative current year from 1 Jan 2018 to 30 Dec 2018 RMB'000
Income tax:		
Current quarter/year expense	(15)	(31)
Deferred tax:		
Reversal of temporary differences	1,154	1,154
	<u>1,139</u>	<u>1,124</u>

The tax expense for the CFQ and CFY was in respect of Malaysian income tax at the statutory rate of 24% on interest income and realised gain in foreign exchange of certain 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 21 Feb 2019 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	11,640	Within 24 months
Expenses relating to the private placement	260	260	Within 1 month
Total proceeds	<u>11,900</u>	<u>11,900</u>	

On 31 December 2018, the Company's wholly-owned subsidiary company, XW Aquaculture Sdn. Bhd. (fka XJ Marine Sdn. Bhd.) entered into a Sale and Purchase Agreement ["SPA"] and an Assets Sale and Purchase Agreement ["ASPA"] to acquire a prawn farm comprising:

- a piece of land held under a 99-years Country Lease located in the District of Tawau, Locality of Kg. Wakuba, Sabah, measuring 97.9 hectares, with a lease period expiring on 31 December 2086 for a price of RM12.5 million; and
- all ponds, other land improvements, buildings, plant and machinery, equipment, motor vehicles, livestock and consumables for an aggregate sum of RM87.5 million;

subject to the terms and conditions as stipulated in the SPA and ASPA. The SPA and ASPA have yet to be completed as at 21 February 2019.

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Other than the above, there were no corporate proposals announced but not completed as at 21 February 2019.

B7 Borrowings and debt securities

The Group's borrowings, all of which are secured, as at the end of the CFQ were as follows:

	Denomination	Short term RM'000	Long term RM'000	Total RM'000
Hire-purchase liabilities	Ringgit Malaysia	22	95	117
Loans	Renminbi	196,741	-	196,741
		<u>196,763</u>	<u>95</u>	<u>196,858</u>

B8 Material litigation

The Group has no material litigation pending as of 21 February 2019.

B9 Dividends payable

No dividend has been declared or recommended for the CFY.

B10 Loss per share

(a) Basic loss per share

The basic loss per share of 0.36 sen and 0.90 sen for the CFQ and CFY to-date respectively were derived as follows:

	Individual Current Quarter from 1 Oct 2018 to 31 Dec 2018	Cumulative Current Year from 1 Jan 2018 to 30 Dec 2018
Loss attributable to owners of the Company (RM'000)	<u>9,253</u>	<u>22,936</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,573,500</u>	<u>2,555,075</u>

(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 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.

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B11 Loss before tax

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

	Individual Current Quarter from 1 Oct 2018 to 31 Dec 2018 RM'000	Cumulative Current Year from 1 Jan 2018 to 31 Dec 2018 RM'000
Interest income	153	1,485
Amortisation of government grant	428	686
Other income including investment income	-	-
Interest expenses	-	-
Depreciation of property, plant and equipment	(645)	(2,610)
Amortisation of land use rights	-	(92)
Provision for and write-off of inventories	(3,183)	(3,199)
Impairment of property, plant and equipment	(13,720)	(13,720)
Impairment of other receivables	(144)	(144)
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	6	9
Unrealised foreign exchange gain/(loss)	907	(6,496)
Exceptional items (with details)	-	-

By Order of the Board

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

28 February 2019

