



## **XingHe Holdings Berhad**

200401004611 (643114-X)

(Incorporated in Malaysia)

### **INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL QUARTER FROM 1 JULY 2019 TO 30 SEPTEMBER 2019**

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# XingHe Holdings Berhad

200401004611 (643114-X)

(Incorporated in Malaysia)

## Interim Financial Statements for the Financial Quarter Ended 30 September 2019

### Consolidated Statement of Profit or Loss (Unaudited)

	Note	Individual Period		Cumulative Period	
		Current Period from 1 Jul 2019 to 30 Sept 2019 RM'000	Preceding Corresponding Period from 1 Jul 2018 to 30 Sept 2018 RM'000	Current Year from 1 Jan 2019 to 30 Sept 2019 RM'000	Preceding Corresponding Year from 1 Jan 2018 to 30 Sept 2018 RM'000
<b>Revenue</b>	A4	<b>81,131</b>	11,814	<b>521,857</b>	40,786
Cost of sales		<b>(79,019)</b>	(13,052)	<b>(507,692)</b>	(44,451)
<b>Gross profit/(loss)</b>	A4	<b>2,112</b>	(1,238)	<b>14,165</b>	(3,665)
Other income		<b>433</b>	537	<b>795</b>	1,597
Selling and distribution costs		<b>(616)</b>	(222)	<b>(1,333)</b>	(769)
Administrative expenses		<b>(1,403)</b>	(1,129)	<b>(4,785)</b>	(4,233)
Finance costs		<b>(2,366)</b>	-	<b>(6,942)</b>	-
Unrealised foreign exchange loss		<b>(4,787)</b>	(5,846)	<b>(6,051)</b>	(7,403)
<b>Loss before tax</b>	B11	<b>(6,627)</b>	(7,898)	<b>(4,151)</b>	(14,473)
Tax income/(expense)	B5	<b>795</b>	(6)	<b>(497)</b>	(16)
<b>Loss for the period</b>		<b>(5,832)</b>	(7,904)	<b>(4,648)</b>	(14,489)
<b>Attributable to:</b>					
Owners of the Company		<b>(5,726)</b>	(7,539)	<b>(4,774)</b>	(13,683)
Non-controlling interests		<b>(106)</b>	(365)	<b>126</b>	(806)
		<b>(5,832)</b>	(7,904)	<b>(4,648)</b>	(14,489)
Loss per share attributable to owners of the Company:	B10				
Basic (sen)		<b>1.55</b>	2.34*	<b>1.41</b>	4.29*
Diluted (sen)		<b>0.76</b>	-	<b>0.66</b>	-

\* The calculation of the weighted average number of shares in issue for the preceding corresponding period and year was adjusted for the consolidation of 8 existing shares into 1 new share on 7 August 2019. Accordingly, the basic earnings per share for the said periods was adjusted retrospectively

The Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these interim financial statements.

# XingHe Holdings Berhad

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### Consolidated Statement of Other Comprehensive Income (Unaudited)

	Individual Period		Cumulative Period	
	<b>Current Period from 1 Jul 2019 to 30 Sept 2019 RM'000</b>	Preceding Corresponding Period from 1 Jul 2018 to 30 Sept 2018 RM'000	<b>Current Year from 1 Jan 2019 to 30 Sept 2019 RM'000</b>	Preceding Corresponding Year from 1 Jan 2018 to 30 Sept 2018 RM'000
<b>Loss for the period</b>	<b>(5,832)</b>	(7,904)	<b>(4,648)</b>	(14,489)
<b>Other comprehensive loss</b>				
Foreign currency translations	<b>(7,989)</b>	(646)	<b>(8,521)</b>	(11,211)
<b>Total comprehensive loss for the period</b>	<b>(13,821)</b>	(8,550)	<b>(13,169)</b>	(25,700)
<b>Attributable to:</b>				
Owners of the Company	<b>(13,715)</b>	(8,179)	<b>(13,295)</b>	(24,926)
Non-controlling interests	<b>(106)</b>	(371)	<b>126</b>	(774)
	<b>(13,821)</b>	(8,550)	<b>(13,169)</b>	(25,700)

The Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these interim financial statements.

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## Interim Financial Statements for the Financial Quarter Ended 30 September 2019

### Consolidated Statement of Financial Position

	30 Sept 2019 RM'000 (Unaudited)	31 Dec 2018 RM'000 (Audited)
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	707	809
Land use rights	10,476	11,031
	<u>11,183</u>	<u>11,840</u>
<b>CURRENT ASSETS</b>		
Inventories	1,357	550
Trade and other receivables	317,426	306,392
Advance for peanut purchase	242,562	137,214
Current tax assets	343	1,226
Cash and bank balances	171,028	260,556
	<u>732,716</u>	<u>705,938</u>
<b>TOTAL ASSETS</b>	<u>743,899</u>	<u>717,778</u>
<b>EQUITY AND LIABILITIES</b>		
Share capital	336,252	296,693
Redeemable convertible notes	5,000	-
Reserves	142,702	155,997
Equity attributable to owners of the Company	<u>483,954</u>	<u>452,690</u>
Non-controlling interests	41,186	41,060
<b>TOTAL EQUITY</b>	<u>525,140</u>	<u>493,750</u>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	77	95
Trade and other payables	3,078	3,169
Deferred tax liabilities	13,803	14,107
	<u>16,958</u>	<u>17,371</u>
<b>CURRENT LIABILITIES</b>		
Borrowings	191,108	196,763
Trade and other payables	10,675	9,894
Current tax liabilities	18	-
	<u>201,801</u>	<u>206,657</u>
<b>TOTAL LIABILITIES</b>	<u>218,759</u>	<u>224,028</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>743,899</u>	<u>717,778</u>
Net assets per share (RM)	<u>0.98</u>	<u>1.53*</u>

\* The number of shares in issue as at 31 December 2018 was adjusted for the consolidation of 8 existing shares into 1 new share on 7 August 2019. Accordingly, the net assets per share as at 31 December 2018 was adjusted retrospectively

The Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these interim financial statements.

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## Interim Financial Statements for the Financial Quarter Ended 30 September 2019

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

	Attributable to the owners of the Company						Total	Non-controlling interests	Total
	Share capital	Capital reserve	Statutory reserve	Reverse acquisition reserve	Exchange translation reserve	Retained earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
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 ordinary 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

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

	Attributable to the owners of the Company						Retained earnings	Total	Non-controlling interests	Total
	Share capital	Redeemable convertible notes	Capital reserve	Statutory reserve	Reverse acquisition reserve	Exchange translation reserve				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2018	296,693	-	3,983	18,901	(154,550)	52,856	234,807	452,690	41,060	493,750
<u>Transactions with owners of the Company</u>										
Issue of ordinary shares pursuant to exercise of warrants	70	-	-	-	-	-	-	70	-	70
Issue of redeemable convertible notes	-	48,000	-	-	-	-	-	48,000	-	48,000
Conversion of redeemable convertible notes into ordinary shares	43,000	(43,000)	-	-	-	-	-	-	-	-
Amortisation of redeemable convertible notes transaction costs	(3,511)	-	-	-	-	-	-	(3,511)	-	(3,511)
	39,559	5,000	-	-	-	-	-	44,559	-	44,559
Profit for the period	-	-	-	-	-	-	(4,774)	(4,774)	126	(4,648)
Foreign currency translation, net of tax	-	-	-	-	-	(8,521)	-	(8,521)	-	(8,521)
Total comprehensive income	-	-	-	-	-	(8,521)	(4,774)	(13,295)	126	(13,169)
<b>At 30 September 2019</b>	<b>336,252</b>	<b>5,000</b>	<b>3,983</b>	<b>18,901</b>	<b>(154,550)</b>	<b>44,335</b>	<b>230,033</b>	<b>483,954</b>	<b>41,186</b>	<b>525,140</b>

The Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial statements.

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## Interim Financial Statements for the Financial Quarter Ended 30 September 2019

### Consolidated Statement of Cash Flows (Unaudited)

	Current Year from 1 Jan 2019 to 30 Sept 2019 RM'000	Preceding Year from 1 Jan 2018 to 30 Sept 2018 RM'000
<b>Cash flows from operating activities</b>		
Loss before tax	(4,151)	(14,473)
Adjustments for:		
Finance costs	6,942	-
Interest income	(795)	(1,332)
Allowance for doubtful debts written back	-	(310)
Amortisation of government grant	-	(258)
Depreciation of property, plant and equipment	87	1,965
Amortisation of land use rights	245	278
Impairment of inventories	542	-
Unrealised foreign exchange loss	6,051	7,403
Operating profit/(loss) before working capital changes	8,921	(6,727)
Changes in working capital:		
Inventories	(858)	1,243
Advances for peanut purchases	(105,348)	(120,426)
Receivables	(39,303)	50,770
Payables	16,502	4,614
Cash flows used in operations	(120,086)	(70,526)
Interest paid	(6,942)	-
Tax refund	125	-
<b>Net cash used in operating activities</b>	<b>(126,903)</b>	<b>(70,526)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-	(146)
Interest income	795	1,332
<b>Net cash generated from investing activities</b>	<b>795</b>	<b>1,186</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares	70	11,900
Share issue expenses	-	(466)
Proceeds from issuance of redeemable convertible notes	48,000	-
Amortisation of redeemable convertible notes transaction costs	(3,511)	-
Proceeds from subscriptions of shares in subsidiaries by non-controlling interests	-	2,890
Repayment of hire purchase liabilities	(16)	-
<b>Net cash generated from financing activities</b>	<b>44,543</b>	<b>14,324</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(81,565)</b>	<b>(55,016)</b>
Effects of exchange rate changes on cash and cash equivalents	(7,963)	(14,431)
<b>Cash and cash equivalents at beginning of period</b>	<b>260,556</b>	<b>431,470</b>
<b>Cash and cash equivalents at end of period</b>	<b>171,028</b>	<b>362,023</b>

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

	<b>Current Year</b> <b>from 1 Jan 2019</b> <b>to 30 Sept 2019</b> <b>RM'000</b>	Preceding Year from 1 Jan 2018 to 30 Sept 2018 RM'000
<b>Cash and cash equivalents comprise the following:</b>		
Cash and bank balances	<b>171,028</b>	354,523
Short term money market deposits	-	7,500
	<b>171,028</b>	<b>362,023</b>

The Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial statements.



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## A NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### A1 Basis of preparation

The interim financial statements are unaudited and have 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 2018 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 2018.

### 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 2018 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 2019.

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.

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

#### Amendments to MFRSs and Amendments to References to the Conceptual Framework in MFRS Standards effective 1 January 2020

Amendments to MFRS 3	<i>Business Combinations – Definition of a Business</i>
Amendments to MFRS 101	<i>Presentation of Financial Statements – Definition of Material</i>
Amendments to MFRS 108	<i>Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material</i>

Amendments to References to the Conceptual Framework in MFRS Standards (MRFSS 2\*, 3, 6\*, 14, 101, 108, 134, 137 and 138\*, and IC Interpretations 12\*, 19\*, 20\*, 22 and 132\*)

#### MFRS effective 1 January 2021

MFRS 17*	<i>Insurance Contracts</i>
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#### Amendments to MFRSs (deferred, effective dates to be announced by MASB)

MFRS 10 and MFRS 128*	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
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\* Not applicable to the Group’s existing operations

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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 2018 was not qualified.

### A4 Segment information

The Group has 4 reportable segments:

- (a) Raw peanuts;
- (b) Branded products – peanut oil, blended oil, repackaged soybean oil and corn oil;
- (c) Non-branded products – non-branded peanut oil; and
- (d) Others – 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 2019 to 30 Sept 2019 RM'000	Preceding Corresponding Period from 1 Jul 2018 to 30 Sept 2018 RM'000	Current Year from 1 Jan 2019 to 30 Sept 2019 RM'000	Preceding Corresponding Year from 1 Jan 2018 to 30 Sept 2018 RM'000
<b>Revenue by products</b>				
Raw peanuts	69,065	-	501,405	-
Branded products	2,114	3,180	5,415	8,979
Non-branded products	8,343	6,031	12,606	23,535
Others	1,609	2,603	2,431	8,272
	<b>81,131</b>	<b>11,814</b>	<b>521,857</b>	<b>40,786</b>
<b>Gross profit/(loss) by products</b>				
Raw peanuts	(16)	-	9,641	-
Branded products	336	333	1,352	712
Non-branded products	1,737	(1,043)	3,183	(3,211)
Others	55	(528)	(11)	(1,166)
	<b>2,112</b>	<b>(1,238)</b>	<b>14,165</b>	<b>(3,665)</b>

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.

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## **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 ["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 cyclical nature 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 cyclical 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, the Company:

- (a) increased its issued ordinary share capital from RM296,693,184 to RM296,763,184 by the issuance of 700,000 new shares at an issue price of 10 sen per share on the exercise of warrants pursuant to the deed poll of 11 February 2015.

The above warrants had expired on 22 March 2019 and were delisted from the ACE Market of Bursa Securities ["ACE Market"] on 25 March 2019.

- (b) completed the consolidation of its then existing 2,574,200,000 ordinary shares into 321,774,865 new ordinary shares on the basis of 8 existing shares into 1 new share with fractional entitlements disregarded. The consolidated shares were listed and quoted on the ACE Market on 8 August 2019.
- (c) issued redeemable convertible notes ["RCN"] of RM48 million pursuant to the RCN Subscription Agreement referred to in Note B6(ii). RM43 million of these RCN were converted into 215 million ordinary shares at an issue price of 20 sen per share during the CFY to-date, thereby increasing the Company's issued ordinary share capital from RM296,763,184 to RM336,252,565 (net of RCN transaction costs amortised of RM3.5 million).

Other than the above, there were no issuances, cancellations, repurchases, resales and repayments of debt and equity securities during the CFY to-date.

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Subsequent to the end of the CFY to-date till 22 November 2019:

- (i) the balance RM5 million RCN referred to in (c) above was converted into 25 million ordinary shares at an issue price of 20 sen per share; and
- (ii) the Company issued a further RM5 million RCN. These RCN were converted into 25 million ordinary shares at an issue price of 20 sen per share

### **A10 Changes in the composition of the Group**

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 the following commitments:

- (i) purchase of freezer equipment of RM1.9 million; and
- (ii) balance of the purchase price of RM50 million for acquisition of the prawn farm and related assets referred to in Note B6(i).

### **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 CFQ**

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**

The Group has no significant related party transactions during the CFY to-date.

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## B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

### B1 Review of performance

	Current Period from 1 Jul 2019 to 30 Sept 2019 RM'000	Individual Period Preceding Corresponding Period from 1 Jul 2018 to 30 Sept 2018 RM'000	Changes (+/-)		Current Period from 1 Jan 2019 to 30 Sept 2019 RM'000	Cumulative Period Preceding Corresponding Period from 1 Jan 2018 to 30 Sept 2018 RM'000	Changes (+/-)	
			RM'000	%			RM'000	%
Revenue	<b>81,131</b>	11,814	+69,317	+586.7	<b>521,857</b>	40,786	+481,071	+1,179.5
Loss before tax	<b>6,627</b>	7,898	-1,271	-16.1	<b>4,151</b>	14,473	-10,322	-71.3
Loss for the period	<b>5,832</b>	7,904	-2,072	-26.2	<b>4,648</b>	14,489	-9,841	-67.9
Loss attributable to owners of the Company	<b>5,726</b>	7,539	-1,813	-24.0	<b>4,774</b>	13,683	-8,909	-65.1

The Group's revenue for the CFQ and CFY to-date of RM81.1 million and RM521.9 million respectively was significantly higher than those of RM11.8 million and RM40.8 million achieved in the preceding corresponding periods. This surge in revenue was due to raw peanut trading which accounted for 85.1% and 96.1% of the revenue for the CFQ and CFY to-date respectively. There were no revenue from raw peanut trading in the preceding corresponding periods. Revenue from the edible oil operations for the CFQ remained low due to anti-pollution production curbs. The Group's plant operated 4 days during the CFQ as compared to 18 days during the preceding corresponding quarter.

The year-on-year ["YoY"] increase in revenue for the CFQ enabled the Group to reduce its loss before tax ["LBT"] of RM7.9 million in the preceding corresponding quarter to a LBT of RM6.6 million for the CFQ. The major component of the loss for both quarters under review was unrealised foreign exchange loss which amounted to RM4.8 million and RM5.8 million for the CFQ and preceding corresponding quarter respectively. These losses were due to the depreciation of Renminbi ["RMB"] against RM during the quarters concerned (see also Note B3). Another main contributor to the CFQ loss was finance costs of RM2.4 million. There was no finance costs in the preceding corresponding quarter.

The increased revenue and reduced LBT during the CFQ resulted in the Group reducing its net loss by 26.2% YoY to RM5.8 million from that of RM7.9 million recorded in the preceding corresponding quarter. The percentage drop in net loss was higher than the percentage drop in LBT due to the over provision of PRC income tax of RM426,000 in respect of the prior financial quarters of the CFY.

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As for the loss attributable to the owners of the Company, the decline of 24.0% YoY was in line with the YoY percentage drop in net profit of 26.2% with the differential due to the non-controlling interest in a PRC subsidiary.

For the CFY to-date, the Group achieved a LBT of RM4.2 million as opposed to a LBT of RM14.5 million incurred in the corresponding preceding year to-date. This reduced LBT was attained on the increase of almost 12-fold in revenue YoY. This huge increase in revenue was contributed by the RM501.4 million revenue in raw peanut trading. There was no revenue from raw peanut trading in the corresponding preceding year to-date.

The YoY decline of 67.9% and 65.1% in net loss for the CFY to-date and the loss attributable to the owners of the Company respectively were in line with the above decline in LBT. The net loss differential was due to the tax charge of RM497,000 while the differential for the loss attributable to the owners of the Company was due to the non-controlling interest in a PRC subsidiary.

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Interim Financial Statements for the Financial Quarter Ended 30 September 2019

## B2 Comparison with immediate preceding quarter's results

	Current Period from 1 Jul 2019 to 30 Sept 2019 RM'000	Immediate Preceding Period from 1 Apr 2019 to 30 Jun 2019 RM'000	Changes (+/-) RM'000		%
Revenue	81,131	172,270	-91,139		-52.9
Loss before tax	6,627	1,808	+4,819		+266.5
Loss for the period	5,832	2,356	+3,476		+147.5
Loss attributable to owners of the Company	5,726	2,520	+3,206		-127.2

The Group's revenue for the CFQ of RM81.1 million was 52.9% lower than that of RM172.3 million achieved in the immediate preceding financial quarter. This decline was due to the fact that the CFQ is a low season for the supply of raw peanuts. Peanuts in PRC are planted in early spring and harvested mid-autumn. The average selling prices were more or less the same quarter-on-quarter ["QoQ"].

With operating expenses (net of other income) more or less the same for the CFQ and the immediate preceding financial quarter, the increase in LBT to RM6.6 million for the CFQ from that of RM1.8 million was due to the QoQ decline in revenue of 52.9%. This disproportionate decline in LBT of over 2-times was due to the fact over 85% of the revenue of the quarters under review was from raw peanut trading, the gross margin of which is very thin, that is, 2% to 3%.

## B3 Commentary on prospects

With the coming of winter, PRC has released its action plan for October 2019 to March 2020 to curb emissions of PM2.5 by an average of 4% from a year ago. PM2.5 levels in Anyang City, PRC's most polluted city last winter soared 13.7% last year has targeted a 6.5% cut in PM2.5<sup>(1)</sup>. Neihuang County where the Group's peanut oil extraction plant is located lies within Anyang City.

Premised on the above, the Group is not optimistic that production curbs will be eased and this was already evident from the fact that the Group's plant only operated 4 days during the CFQ. Accordingly, the Group do not expect the financial performance for the coming financial quarter and the rest of the CFY to be any better than the prior financial quarters of the CFY.

The Group is actively working to address the above issue which would impact the long term sustainability of the Group. The prawn farm acquisition referred to in Note B6(i) which will be completed in the coming weeks should mitigate the issue to some extent.

The Group's net investment in its PRC and Hong Kong subsidiaries is denominated in RMB and Hong Kong Dollars ["HKD"] respectively and as all of the Group's trade transactions are denominated in RMB, all things being equal, RMB and HKD parity with RM will also has an impact on the Group's results.

(1) Reuters – 24 October 2019

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## 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 (income)/expense

	Individual current quarter from 1 Jul 2019 to 30 Sept 2019 RM'000	Cumulative current year from 1 Jan 2019 to 30 Sept 2019 RM'000
CFQ/CFY to-date:		
PRC income tax – 25%	-	737
Malaysian income tax – 24%	6	22
	<u>6</u>	<u>759</u>
Overprovision of PRC income tax in respect of prior financial quarters	<u>(426)</u>	-
	<u>(420)</u>	<u>759</u>
Deferred tax:		
Origination of temporary differences	<u>(375)</u>	<u>(262)</u>
	<u>(795)</u>	<u>497</u>

Despite a loss on its PRC operations for the CFY to-date, the Group still incurred a PRC tax charge due to the non-deductibility of its unrealised foreign exchange loss.

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

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## B6 Status of corporate proposals announced

- (i) On 31 December 2018, the Company's wholly-owned subsidiary, XW Aquaculture Sdn. Bhd. (then known as 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) 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
  - (b) 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.

On 23 October 2019, XW Aquaculture Sdn. Bhd. executed the financing documents for a Term Financing-I facility for RM50 million to part-finance the above acquisition.

The SPA and ASPA which became unconditional on 16 August 2019 and the above facility drawdown are expected to be completed before the end of the CFY.

Other than the above, there were no corporate proposals announced but not completed as of 22 November 2019.

- (ii) The Company had, on 6 May 2019, entered into a conditional subscription agreement ["Subscription Agreement"] with Advance Opportunities Fund as subscriber for RCN with an aggregate principal amount of up to RM120 million. These RCN will be issued in 2 tranches, subject to the terms and conditions as set out in the Subscription Agreement.

The first sub-tranche of 1st tranche of RCN was issued on 23 August 2019 and the on-going post-completion matter arising thereon in relation to the utilisation of the gross proceeds of the RCN of RM48 million issued during the CFY to-date is as follows:

	Proposed utilisation RM'000	Actual utilisation up to 22 November 2019 RM'000	Estimated timeframe for utilisation from 20 August 2019
Financing of the prawn farm referred to in (i) above and estimated related expenses	101,000	43,772	Within 3 years
Working capital for the prawn farm	9,000	-	Within 6 months
Estimated expenses in relation to the RCN programme:			
Setting-up costs	1,600	1,600	Within 1 month
Implementation costs	8,400	2,628	Within 3 years
	<u>120,000</u>	<u>48,000</u>	

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### 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	23	77	100
Loans	RMB	191,085	-	191,085
		<b>191,108</b>	<b>77</b>	<b>191,185</b>

### B8 Material litigation

The Group has no material litigation pending as of 22 November 2019.

### 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 1.55 sen and 1.41 sen for the CFQ and CFY to-date respectively were derived as follows:

	Individual current quarter from 1 Jul 2019 to 30 Sept 2019	Cumulative current year from 1 Jan 2019 to 30 Sept 2019
Loss attributable to owners of the Company (RM'000)	<b>5,726</b>	<b>4,774</b>
Weighted average number of shares in issue ('000)	<b>370,199</b>	<b>338,067</b>

#### (b) Diluted loss per share

The diluted loss per share of 0.76 sen and 0.66 sen for the CFQ and CFY to-date respectively were derived as follows:

	Individual current quarter from 1 Jul 2019 to 30 Sept 2019	Cumulative current year from 1 Jan 2019 to 30 Sept 2019
Loss attributable to owners of the Company (RM'000)	<b>5,726</b>	<b>4,774</b>
Weighted average number of shares in issue ('000)	<b>755,199</b>	<b>723,067</b>

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## B11 Loss before tax

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

	<b>Individual current quarter from 1 Jul 2019 to 30 Sept 2019 RM'000</b>	<b>Cumulative current year from 1 Jan 2019 to 30 Sept 2019 RM'000</b>
Interest income	433	795
Other income including investment income	-	-
Interest expenses	(2,366)	(6,942)
Depreciation of property, plant and equipment	(29)	(87)
Amortisation of land use rights	(78)	(245)
Provision for and write-off of inventories	4	(542)
Impairment of assets	-	-
Gain or (loss) on disposal of quoted or unquoted investments or properties	-	-
Allowance for doubtful debts written back	-	-
Gain or (loss) on derivatives	-	-
Foreign exchange gain or (loss)	(4,787)	(6,051)
Exceptional items (with details)	-	-

By Order of the Board

Wong Yuet Chyn (Ms)  
Company Secretary

29 November 2019