



XingHe Holdings Berhad

200401004611 (643114-X)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL QUARTER FROM 1 OCTOBER 2019 TO 31 DECEMBER 2019

<u>CONTENTS</u>	<u>PAGE</u>
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	1
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	2
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	4
CONSOLIDATED STATEMENT OF CASH FLOWS	6
NOTES TO THE INTERIM FINANCIAL STATEMENTS	8
ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD	12

XingHe Holdings Berhad

200401004611 (643114-X)

(Incorporated in Malaysia)

Interim Financial Statements for the Financial Quarter Ended 31 December 2019

Consolidated Statement of Profit or Loss

	Note	Individual Period		Cumulative Period	
		Current Period from 1 Oct 2019 to 31 Dec 2019 RM'000 (Unaudited)	Preceding Corresponding Period from 1 Oct 2018 to 31 Dec 2018 RM'000 (Unaudited)	Current Year from 1 Jan 2019 to 31 Dec 2019 RM'000 (Unaudited)	Preceding Corresponding Year from 1 Jan 2018 to 31 Dec 2018 RM'000 (Audited)
Revenue	A4	78,199	274,215	600,056	315,001
Cost of sales		(75,894)	(271,138)	(583,586)	(315,589)
Gross profit/(loss)	A4	2,305	3,077	16,470	(588)
Other income		180	1,168	975	2,765
Selling and distribution costs		(292)	(236)	(1,625)	(1,005)
Administrative expenses		(3,428)	(2,517)	(8,213)	(6,750)
Finance costs		(2,338)	(458)	(9,280)	(458)
Other expenses		-	(13,864)	-	(13,864)
Loss on disposal of a subsidiary		(75,857)	-	(75,857)	-
Loss on dilution of equity interest in an associate		(21,400)	-	(21,400)	-
Unrealised foreign exchange gain/(loss)		3,406	907	(2,645)	(6,496)
Loss before tax	B11	(97,424)	(11,923)	(101,575)	(26,396)
Tax income/(expense)	B5	145	875	(352)	859
Loss for the year		(97,279)	(11,048)	(101,927)	(25,537)
Attributable to:					
Owners of the Company		(96,644)	(9,903)	(101,418)	(23,586)
Non-controlling interests		(635)	(1,145)	(509)	(1,951)
		(97,279)	(11,048)	(101,927)	(25,537)
Loss per share attributable to owners of the Company:	B10				
Basic (sen)		16.71	2.88**	25.44	6.96**
Diluted (sen)		10.70	-	14.02	-

* Certain comparative figures reported previously have been adjusted to incorporate adjustments arising from the audit for the financial year ended 31 December 2018

** 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

200401004611 (643114-X)

(Incorporated in Malaysia)

Interim Financial Statements for the Financial Quarter Ended 31 December 2019

Consolidated Statement of Other Comprehensive Income

	Individual Period		Cumulative Period	
	Current Period from 1 Oct 2019 to 31 Dec 2019 RM'000 (Unaudited)	Preceding Corresponding Period from 1 Oct 2018 to 31 Dec 2018* RM'000 (Unaudited)	Current Year from 1 Jan 2019 to 31 Dec 2019 RM'000 (Unaudited)	Preceding Corresponding Year from 1 Jan 2018 to 31 Dec 2018 RM'000 (Audited)
Loss for the year	(97,279)	(11,048)	(101,927)	(25,537)
Other comprehensive loss				
Foreign currency translations	(1,926)	1,371	(10,447)	(9,840)
Total comprehensive loss for the year	(99,205)	(9,677)	(112,374)	(35,377)
Attributable to:				
Owners of the Company	(101,108)	(7,263)	(114,403)	(32,189)
Non-controlling interests	1,903	(2,414)	2,029	(3,188)
	(99,205)	(9,677)	(112,374)	(35,377)

* Certain comparative figures reported previously have been adjusted to incorporate adjustments arising from the audit for the financial year ended 31 December 2018

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.

XingHe Holdings Berhad

200401004611 (643114-X)

(Incorporated in Malaysia)

Interim Financial Statements for the Financial Quarter Ended 31 December 2019

Consolidated Statement of Financial Position

	31 Dec 2019 RM'000 (Unaudited)	31 Dec 2018 RM'000 (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	98,548	809
Land use rights	-	11,031
Investment in associate	89,863	-
Loan to associate	246,859	-
Goodwill	857	-
	<u>436,127</u>	<u>11,840</u>
CURRENT ASSETS		
Inventories	3,693	550
Trade and other receivables	12,305	306,392
Advance for peanut purchase	-	137,214
Current tax assets	-	1,226
Cash and bank balances	97,156	260,556
	<u>113,154</u>	<u>705,938</u>
TOTAL ASSETS	<u>549,281</u>	<u>717,778</u>
EQUITY AND LIABILITIES		
Share capital	347,602	296,693
Reserves	138,661	155,997
Equity attributable to owners of the Company	<u>486,263</u>	<u>452,690</u>
Non-controlling interests	1,718	41,060
TOTAL EQUITY	<u>487,981</u>	<u>493,750</u>
NON-CURRENT LIABILITIES		
Borrowings	46,446	95
Trade and other payables	-	3,169
Deferred tax liabilities	-	14,107
	<u>46,446</u>	<u>17,371</u>
CURRENT LIABILITIES		
Borrowings	3,848	196,763
Trade and other payables	10,973	9,894
Current tax liabilities	33	-
	<u>14,854</u>	<u>206,657</u>
TOTAL LIABILITIES	<u>61,300</u>	<u>224,028</u>
TOTAL EQUITY AND LIABILITIES	<u>549,281</u>	<u>717,778</u>
Net assets per share (RM)	<u>0.82</u>	<u>1.44*</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.

XingHe Holdings Berhad

200401004611 (643114-X)

(Incorporated in Malaysia)

Interim Financial Statements for the Financial Quarter Ended 31 December 2019

Consolidated Statement of Changes in Equity

Audited	Attributable to the owners of the Company								
	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	Total RM'000	Non-controlling interests RM'000	Total RM'000
At 31 December 2017	285,259	3,983	18,901	(154,550)	61,459	258,707	473,759	41,394	515,153
Effects of adoption of MFRS 9	-	-	-	-	-	(310)	(310)	(30)	(340)
At 1 January 2018 (Restated)	285,259	3,983	18,901	(154,550)	61,459	258,397	473,449	41,364	514,813
<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)
Additional investment in a subsidiary	-	-	-	-	-	(4)	(4)	(6)	(10)
	11,434	-	-	-	-	(4)	11,430	(6)	11,424
Subscription of shares in a subsidiary company by non-controlling interest	-	-	-	-	-	-	-	2,890	2,890
Loss for the year	-	-	-	-	-	(23,586)	(23,586)	(1,951)	(25,537)
Foreign currency translation, net of tax	-	-	-	-	(8,603)	-	(8,603)	(1,237)	(9,840)
Total comprehensive loss	-	-	-	-	(8,603)	(23,586)	(32,189)	(3,188)	(35,377)
At 31 December 2018	296,693	3,983	18,901	(154,550)	52,856	234,807	452,690	41,060	493,750

XingHe Holdings Berhad

200401004611 (643114-X)

(Incorporated in Malaysia)

Interim Financial Statements for the Financial Quarter Ended 31 December 2019

Consolidated Statement of Changes in Equity (Continued)

Unaudited	Attributable to the owners of the Company									
	Share capital	Redeemable convertible notes	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	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	-	55,000	-	-	-	-	-	55,000	-	55,000
Conversion of redeemable convertible notes into ordinary shares	55,000	(55,000)	-	-	-	-	-	-	-	-
Amortisation of redeemable convertible notes transaction costs	(4,161)	-	-	-	-	-	-	(4,161)	-	(4,161)
Disposal of a subsidiary	-	-	(3,983)	(18,901)	154,550	(34,599)	-	97,067	(41,371)	55,696
	50,909	-	(3,983)	(18,901)	154,550	(34,599)	-	147,976	(41,371)	106,605
Loss for the year	-	-	-	-	-	-	(101,418)	(101,418)	(509)	(101,927)
Foreign currency translation, net of tax	-	-	-	-	-	(12,985)	-	(12,985)	2,538	(10,447)
Total comprehensive income	-	-	-	-	-	(12,985)	(101,418)	(114,403)	2,029	(112,374)
At 31 December 2019	347,602	-	-	-	-	5,272	133,389	486,263	1,718	487,981

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.

XingHe Holdings Berhad

200401004611 (643114-X)

(Incorporated in Malaysia)

Interim Financial Statements for the Financial Quarter Ended 31 December 2019

Consolidated Statement of Cash Flows

	Current Year from 1 Jan 2019 to 31 Dec 2019 RM'000 (Unaudited)	Preceding Year from 1 Jan 2018 to 31 Dec 2018 RM'000 (Audited)
Cash flows from operating activities		
Loss before tax	(101,575)	(26,396)
Adjustments for:		
Finance costs	9,280	458
Interest income	(975)	(1,485)
Amortisation of government grant	-	(686)
Amortisation of land use rights	329	335
Depreciation of property, plant and equipment	446	2,611
Inventories written off	504	1,486
Impairment of property, plant and equipment	-	13,720
Reversal of amortisation of land use rights	-	(243)
Reversal of impairment of trade receivable	-	(340)
Unrealised foreign exchange loss	2,645	6,496
Write off of other receivables	-	144
Loss on disposal of a subsidiary	75,857	-
Loss on dilution of equity interest in associate	21,400	-
Operating profit/(loss) before working capital changes	7,911	(3,900)
Changes in working capital:		
Inventories	(5,084)	9,121
Advances for peanut purchases	(24,683)	(384,963)
Receivables	23,337	-
Payables	13,977	9,938
Cash flows generated from/(used in) operations	15,458	(369,804)
Interest paid	(9,280)	(1)
Tax paid	(9)	(11)
Net cash from/(used in) operating activities	6,169	(369,816)
Cash flows from investing activities		
Goodwill	(857)	-
Purchase of property, plant and equipment	(98,693)	(153)
Proceeds from disposal of a subsidiary, net of cash and cash equivalent	81,552	-
Interest income	975	1,485
Net cash (used in)/from investing activities	(17,023)	1,332
Cash flows from financing activities		
Proceeds from issuance of shares	70	11,900
Share issue expenses	-	(466)
Drawdown of borrowings	50,200	196,741
Proceeds from issuance of redeemable convertible notes	55,000	-
Amortisation of redeemable convertible notes transaction costs	(4,161)	-
Proceeds from subscriptions of shares in subsidiaries by non-controlling interests	-	2,880
Advance to an associate	(246,859)	-
Repayment of hire purchase liabilities	(22)	(3)
Net cash (used in)/from financing activities	(145,772)	211,052

XingHe Holdings Berhad

200401004611 (643114-X)

(Incorporated in Malaysia)

Interim Financial Statements for the Financial Quarter Ended 31 December 2019

Consolidated Statement of Cash Flows (Continued)

	Current Year from 1 Jan 2019 to 31 Dec 2019 RM'000 (Unaudited)	Preceding Year from 1 Jan 2018 to 31 Dec 2018 RM'000 (Audited)
Net decrease in cash and cash equivalents	(156,626)	(157,432)
Effects of exchange rate changes on cash and cash equivalents	(6,774)	(13,482)
Cash and cash equivalents at beginning of year	260,556	431,470
Cash and cash equivalents at end of year	97,156	260,556
Cash and cash equivalents comprise the following:		
Cash and bank balances	97,156	260,556

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.

XingHe Holdings Berhad

200401004611 (643114-X)

(Incorporated in Malaysia)

Interim Financial Statements for the Financial Quarter Ended 31 December 2019

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 MFRSs 9, 139 and 7	<i>Interest Rate Benchmark Reform</i>
Amendments to References to the Conceptual Framework in MFRS Standards (MFRSs 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>
----------	----------------------------

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>
-----------------------	--

* Not applicable to the Group’s existing operations

XingHe Holdings Berhad

200401004611 (643114-X)

(Incorporated in Malaysia)

Interim Financial Statements for the Financial Quarter Ended 31 December 2019

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 5 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;
- (d) Other peanut related products – peanut protein cake (a by-product) and other peanut by-products; and
- (e) White vannamei prawns

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 2019 to 31 Dec 2019 RM'000	Preceding Corresponding Period from 1 Oct 2018 to 31 Dec 2018 RM'000	Current Year from 1 Jan 2019 to 31 Dec 2019 RM'000	Preceding Corresponding Year from 1 Jan 2018 to 31 Dec 2018 RM'000
Revenue by products				
Raw peanuts	66,232	261,006	567,637	261,006
Branded products	2,449	8,854	7,864	17,833
Non-branded products	6,590	1,728	19,196	25,263
Other peanut related products	1,304	2,627	3,735	10,899
	76,575	274,215	598,432	315,001
White vannamei prawns	1,624	-	1,624	-
	78,199	274,215	600,056	315,001
Gross profit/(loss) by products				
Raw peanuts	57	6,487	9,698	6,487
Branded products	474	(544)	1,826	168
Non-branded products	1,857	(1,486)	5,040	(4,697)
Other peanut related products	156	(1,380)	145	(2,546)
	2,544	3,077	16,709	(588)
White vannamei prawns	(239)	-	(239)	-
	2,305	3,077	16,470	(588)

The Group's assets and liabilities are managed on a group-wide basis and are not allocated to any of the operating segments.

XingHe Holdings Berhad

200401004611 (643114-X)

(Incorporated in Malaysia)

Interim Financial Statements for the Financial Quarter Ended 31 December 2019

Save for prawn aquaculture business which is Malaysian-based, the rest of the Group's income generating business for the current financial year ["CFY"] is entirely operated within the People's Republic of China ["PRC"].

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 except for the loss on disposal of a subsidiary and the loss on dilution of equity interest in associate of RM75.9 million and RM21.4 million respectively.

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.

A7 Seasonality or cyclicity 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 cyclicity effects.

Prawn aquaculture is affected by the rainy season as during this season, the prawn fries supply is reduced by the lower productivity of the vendors' broodstock. In addition, the quality of prawn fries supplied is lower and the growth rate of prawn fries is also diminished during the rainy season.

A8 Dividends paid

No dividends were paid by the Company during the CFY.

A9 Changes in debt and equity securities

During the CFY, 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 RM55 million pursuant to the RCN Subscription Agreement referred to in Note B6(ii). These RCN were converted into 275 million ordinary shares at an issue price of 20 sen per share during the CFY, thereby increasing the Company's issued ordinary share capital from RM296,763,184 to RM347,671,750 (net of RCN transaction costs amortised of RM4.2 million).

XingHe Holdings Berhad

200401004611 (643114-X)

(Incorporated in Malaysia)

Interim Financial Statements for the Financial Quarter Ended 31 December 2019

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

Subsequent to the end of the CFY till 21 February 2020, the Company issued a further RM2 million RCN. These RCN were converted into 10 million ordinary shares at an issue price of 20 sen per share.

A10 Changes in the composition of the Group

On 28 December 2019, the Group's wholly-owned indirect subsidiary, Anyang Herun Oil Technical Service Company Limited (安陽市合潤油脂技術服務有限公司) disposed RMB ["Renminbi"] 28.9 million shares representing approximately 41.15% of the registered capital of Henan XingHe Oil and Fat Company Limited (河南省星河油脂有限公司) ["Henan XingHe"] for a cash consideration of RMB155 million (approximately RM91.5 million based on the rate of exchange of RMB1.00:RM0.59). As a consequence of this disposal, Henan XingHe ceased to be an indirect subsidiary of the Company and instead became an indirect associate 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 no capital commitments.

A12 Contingent liabilities and contingent assets

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

A13 Material events subsequent to the end of the 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

During the CFY, the Group sold RM1.6 million of white vannamei prawns to a company in which a Director is a director and substantial shareholder.

[The rest of this page has been intentionally left blank]

XingHe Holdings Berhad

200401004611 (643114-X)

(Incorporated in Malaysia)

Interim Financial Statements for the Financial Quarter Ended 31 December 2019

B ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1 Review of performance

	Current Period from 1 Oct 2019 to 31 Dec 2019 RM'000	Individual Period Preceding Corresponding Period from 1 Oct 2018 to 31 Dec 2018 RM'000	Changes (+/-)		Current Period from 1 Jan 2019 to 31 Dec 2019 RM'000	Cumulative Period Preceding Corresponding Period from 1 Jan 2018 to 31 Dec 2018 RM'000	Changes (+/-)	
			RM'000	%			RM'000	%
Revenue	78,199	274,215	-196,016	-71.5	600,056	315,001	+285,055	+90.5
Loss before tax	97,424	11,923	+85,501	+717.1	101,575	26,396	+75,179	+284.8
Loss for the period/year	97,279	11,048	+86,231	+780.5	101,927	25,537	+76,390	+299.1
Loss attributable to owners of the Company	96,644	9,903	+86,741	+875.9	101,418	23,586	+77,832	+330.0

The Group's revenue for the CFQ of RM78.2 million was 71.5% lower than that of RM274.2 million achieved in the preceding corresponding quarter. The decline was mainly due to reduced raw peanut trading which dropped from RM261.0 million for preceding corresponding quarter to RM66.2 million for the CFQ. This year-on-year ["YoY"] decrease was attributed to the Group's decision to reduce its credit exposure to customers as well as poor harvests of the farmers supplying raw peanuts to the Group. Revenue from the edible oil operations for the CFQ remained low at RM10.3 million due to anti-pollution production curbs and this was 21.7% lower YoY. The Group's plant operated 5 days during the CFQ, the same as that of the preceding corresponding quarter.

The CFQ's revenue includes the maiden contribution of RM1.6 million from its prawn aquaculture business, the acquisition of which was completed on 12 December 2019.

The CFQ's loss before tax ["LBT"] of RM97.4 million was mainly caused by the loss on disposal of a subsidiary of RM75.9 million (see Note A10) and the loss on dilution of equity interest in an associate of RM21.4 million. If these exceptional charges are disregarded, the CFQ's LBT would be reduced to RM0.1 million, an improvement of RM11.8 million from the LBT of RM11.9 million incurred in the preceding corresponding quarter.

XingHe Holdings Berhad

200401004611 (643114-X)

(Incorporated in Malaysia)

Interim Financial Statements for the Financial Quarter Ended 31 December 2019

The percentage drop in net loss YoY was higher than the YoY percentage drop in LBT due to lower tax income for the CFQ as compared to that of the preceding corresponding quarter.

As for the loss attributable to the owners of the Company for the CFQ, the decline of 875.9% YoY was in line with the YoY percentage drop in net profit of 780.5% with the differential due to the non-controlling interest in a PRC subsidiary.

For the CFY, the Group achieved revenue of RM600.1 million, an increase of 90.5% over that of RM315.0 million for the preceding financial year. This increase in revenue was contributed by raw peanut trading in the prior financial quarters of the CFY.

Despite the above increase in revenue, the Group incurred a LBT of RM101.6 million for the CFY as opposed to a LBT of RM26.4 million for preceding financial year. RM97.3 million of the CFY's LBT was due to the exceptional charges as mentioned earlier. If these charges were excluded, the CFY's LBT would be reduced to RM4.3 million as compared to the LBT of RM26.4 million in the preceding financial year.

The YoY increase of 299.1% and 330.0% in net loss for the CFY and the loss attributable to the owners of the Company respectively were in line with the above increase in LBT and the differential was due to tax effects and the non-controlling interest in a PRC subsidiary respectively.

[The rest of this page has been intentionally left blank]

XingHe Holdings Berhad

200401004611 (643114-X)

(Incorporated in Malaysia)

Interim Financial Statements for the Financial Quarter Ended 31 December 2019

B2 Comparison with immediate preceding quarter's results

	Current Period from 1 Oct 2019 to 31 Dec 2019 RM'000	Immediate Preceding Period from 1 Jul 2019 to 30 Sept 2019 RM'000	Changes (+/-)	
			RM'000	%
Revenue	78,199	81,131	-2,932	-3.6
Loss before tax	97,424	6,627	+90,797	+1,370.1
Loss for the period	97,279	5,832	+91,447	+1,568.0
Loss attributable to owners of the Company	96,644	5,726	+90,918	+1,587.8

The Group's revenue for the CFQ of RM78.2 million was lower by 3.6% from that of RM81.1 million achieved in the immediate preceding financial quarter. This marginal decline was due to reduced raw peanut trading during the CFQ, the reasons of which are set out in Note B1.

Operating expenses (excluding exceptional charges, other income and foreign exchange differences) for the CFQ of RM6.1 million was higher than that of RM4.4 million for the immediate preceding financial quarter. This increase was mainly due to the costs incurred by the newly-acquired prawn aquaculture business. Notwithstanding this and as mentioned in Note B1, the exceptional charges of RM97.3 million account for almost the entire CFQ's LBT of RM97.4 million.

As for the increases in net loss and the loss attributable to the owners of the Company quarter-on-quarter, they were in line with the above increase in LBT with the differentials due to tax effects and the non-controlling interest in a PRC subsidiary respectively.

B3 Commentary on prospects

With the completion of the prawn aquaculture business and the reduction of the exposure in Henan XingHe, the Group has to a certain extent addressed the long term sustainability of the Group.

The prawn aquaculture business should contribute meaningfully to the Group's financial performance in the coming financial year while maintaining Henan XingHe as an associate will enable the Group to work with the other shareholders to improve Henan XingHe's business going forward.

Having said the above, the Group's stance is also one of caution as there are clouds of uncertainty in the near term due to the Covid-19 outbreak and geo-political issues (locally and abroad) and more so when the Group still have a significant exposure to PRC through Henan XingHe.

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.

XingHe Holdings Berhad

200401004611 (643114-X)

(Incorporated in Malaysia)

Interim Financial Statements for the Financial Quarter Ended 31 December 2019

B5 Tax (income)/expense

	Individual current quarter from 1 Oct 2019 to 31 Dec 2019 RM'000	Cumulative current year from 1 Jan 2019 to 31 Dec 2019 RM'000
CFQ/CFY to-date:		
PRC income tax – 25%	-	572
Malaysian income tax – 24%	9	31
	<u>9</u>	<u>603</u>
Overprovision of PRC income tax in respect of prior financial quarters	(165)	-
	<u>(156)</u>	<u>605</u>
Deferred tax:		
Origination of temporary differences	11	(251)
	<u>(145)</u>	<u>352</u>

Despite a loss on its PRC operations for the CFY, 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 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.

[The rest of this page has been intentionally left blank]

XingHe Holdings Berhad

200401004611 (643114-X)

(Incorporated in Malaysia)

Interim Financial Statements for the Financial Quarter Ended 31 December 2019

B6 Status of corporate proposals announced

- (i) On 12 December 2019, the Company's wholly-owned subsidiary, XW Aquaculture Sdn. Bhd. completed its acquisition of 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;
- (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 RM55 million issued during the CFY is as follows:

	Proposed utilisation RM'000	Actual utilisation up to 21 February 2020 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	50,037	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	3,363	Within 3 years
	<u>120,000</u>	<u>55,000</u>	

XingHe Holdings Berhad

200401004611 (643114-X)

(Incorporated in Malaysia)

Interim Financial Statements for the Financial Quarter Ended 31 December 2019

B7 Borrowings and debt securities

The Group's borrowings, all of which are secured and denominated in Ringgit Malaysia, as at the end of the CFQ were as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Hire-purchase liabilities	23	71	94
Term financing- <i>i</i>	3,625	46,375	50,000
Cashline- <i>i</i>	200	-	200
	3,848	46,446	50,294

B8 Material litigation

The Group has no material litigation pending as of 21 February 2020.

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 16.71 sen and 25.44 sen for the CFQ and CFY respectively were derived as follows:

	Individual current quarter from 1 Oct 2019 to 31 Dec 2019	Cumulative current year from 1 Jan 2019 to 31 Dec 2019
Loss attributable to owners of the Company (RM'000)	96,644	101,418
Weighted average number of shares in issue ('000)	578,297	398,618

(b) Diluted loss per share

The diluted loss per share of 10.70 sen and 14.02 sen for the CFQ and CFY respectively were derived as follows:

	Individual current quarter from 1 Jul 2019 to 31 Dec 2019	Cumulative current year from 1 Jan 2019 to 31 Dec 2019
Loss attributable to owners of the Company (RM'000)	96,644	101,418
Weighted average number of shares in issue ('000)	903,297	723,618

XingHe Holdings Berhad

200401004611 (643114-X)

(Incorporated in Malaysia)

Interim Financial Statements for the Financial Quarter Ended 31 December 2019

B11 Loss before tax

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

	Individual current quarter from 1 Oct 2019 to 31 Dec 2019 RM'000	Cumulative current year from 1 Jan 2019 to 31 Dec 2019 RM'000
Interest income	180	975
Other income including investment income	-	-
Interest expenses	(2,338)	(9,280)
Depreciation of property, plant and equipment	(359)	(446)
Amortisation of land use rights	(84)	(329)
Provision for and write-off of inventories	-	(504)
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)	3,406	(2,645)
Exceptional items (with details):		
Loss on disposal of subsidiary	(75,857)	-
Loss on dilution of equity interest in associate	(21,400)	-

By Order of the Board

Wong Yuet Chyn (Ms)
Company Secretary

28 February 2020