

XIN HWA HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No: 1032102-P

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 JUNE 2017

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Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Period Ended 30 June 2017

(The figures have not been audited)

	Notes	Individual Quarter Current Quarter 30 Jun 2017 RM'000	Cumulative Quarter Current Period To Date 30 Jun 2017 RM'000
REVENUE		25,580	25,580
COST OF SALES		(16,832)	(16,832)
GROSS PROFIT		8,748	8,748
OTHER OPERATING INCOME		29	29
SELLING AND DISTRIBUTION EXPENSES		(230)	(230)
ADMINISTRATIVE EXPENSES		(4,085)	(4,085)
FINANCE COSTS		(859)	(859)
PROFIT BEFORE TAXATION	B5	3,603	3,603
TAXATION	B6	(657)	(657)
PROFIT AFTER TAXATION		2,946	2,946
OTHER COMPREHENSIVE INCOME, NET OF TAX		-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		2,946	2,946
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-			
- Owners of the Company		3,010	3,010
- Non-Controlling interests		(64)	(64)
		2,946	2,946
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-			
- Owners of the Company		3,010	3,010
- Non-Controlling interests		(64)	(64)
		2,946	2,946
Earnings per share (sen) attributable to Owners of the Company:-			
- Basic	B12	1.39	1.39

Notes:

- The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited consolidated financial statements for the financial period ended 31 March 2017 and the accompanying explanatory notes attached to these interim financial statements.
- As a result of the change in the financial year end to 31 March as announced to Bursa Malaysia Securities Berhad on 24 February 2016, there are no comparative figures disclosed for the preceding year corresponding period as the last audited financial statements were for a 15-month period from 1 January 2016 to 31 March 2017.

Unaudited Condensed Consolidated Statement of Financial Position as at 30 June 2017

	Notes	Unaudited As At 30 Jun 2017 RM'000	Audited As at 31 Mar 2017 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		189,844	185,244
Goodwill		497	497
Development costs		260	292
		<u>190,601</u>	<u>186,033</u>
CURRENT ASSETS			
Inventories		1,412	1,269
Trade receivables		29,941	26,727
Other receivables, deposits and prepayments		5,852	4,308
Short-term investment		1,630	1,617
Current tax assets		2,956	2,383
Fixed deposits with licensed banks		24	24
Cash and bank balances		3,464	9,688
		<u>45,279</u>	<u>46,016</u>
TOTAL ASSETS		<u>235,880</u>	<u>232,049</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital		108,000	108,000
Reserves		31,770	28,760
ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>139,770</u>	<u>136,760</u>
NON-CONTROLLING INTERESTS		453	517
TOTAL EQUITY		<u>140,223</u>	<u>137,277</u>
NON-CURRENT LIABILITIES			
Long term borrowings	B8	63,549	59,221
Deferred tax liabilities		7,937	7,837
		<u>71,486</u>	<u>67,058</u>
CURRENT LIABILITITES			
Trade payables		4,259	5,406
Other payables and accruals		7,581	7,632
Amount owing to directors		400	-
Short term borrowings	B8	11,323	11,404
Bank overdraft		-	3,178
Current tax liabilities		608	94
		<u>24,171</u>	<u>27,714</u>
TOTAL LIABILITIES		<u>95,657</u>	<u>94,772</u>
TOTAL EQUITY AND LIABILITIES		<u>235,880</u>	<u>232,049</u>
Net assets per share attributable to ordinary equity holders of the parent (RM) ⁽¹⁾		<u>0.65</u>	<u>0.63</u>

Notes:

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited consolidated financial statements for the financial period ended 31 March 2017 and the accompanying explanatory notes attached to these interim financial statements.

(1) - Based on the issued share capital of 216,000,000 ordinary shares.

XIN HWA HOLDINGS BERHAD

(Incorporated in Malaysia) Company No: 1032102-P

Unaudited Condensed Consolidated Statement of Changes in Equity for the Period Ended 30 June 2017

	-----Attributable to equity holders of the Company----- >						
	< -----Non-Distributable----- >			Distributable		Non-controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Merger Deficit RM'000	Revaluation Reserve RM'000	Retained Profits RM'000	Total RM'000		
As at 1 April 2017	108,000	(68,979)	17,359	80,380	136,760	517	137,277
Total comprehensive income for the period	-		-	3,010	3,010	(64)	2,946
As at 30 June 2017	108,000	(68,979)	17,359	83,390	139,770	453	140,223

Notes:

1. *The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited consolidated financial statements for the financial period ended 31 March 2017 and the accompanying explanatory notes attached to these interim financial statements.*
2. *As a result of the change in the financial year end to 31 March as announced to Bursa Malaysia Securities Berhad on 24 February 2016, there are no comparative figures disclosed for the preceding year corresponding period as the last audited financial statements were for a 15-month period from 1 January 2016 to 31 March 2017.*

Unaudited Condensed Consolidated Statement of Cash Flows for the Period Ended 30 June 2017

	30 Jun 2017
	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	3,603
Adjustments for:-	
Allowances for impairment losses on trade receivables	-
Dividend income	-
Depreciation of property, plant and equipment	2,009
Gain on disposal of property, plant and equipment	(30)
Interest expense	816
Interest income	(15)
Reversal of impairment losses on trade receivables	(1,604)
Operating profit before working capital changes	4,779
Increase in inventories	(144)
Increase in trade and other receivables	(3,155)
(Decrease) / Increase in trade and other payables	(1,197)
Increase in amount owing to directors	400
CASH FROM OPERATIONS	683
Income tax paid	(616)
Income tax refund	-
NET CASH FROM OPERATING ACTIVITIES	67
CASH FLOWS FOR INVESTING ACTIVITIES	
Development costs paid	-
Dividend income received	-
Interest received	15
Purchase of property, plant and equipment	(6,577)
Proceeds from disposal of property, plant and equipment	30
Purchase of short-term investment	(13)
Net acquisition of subsidiary company	-
NET CASH FOR INVESTING ACTIVITIES	(6,545)
CASH FLOWS FROM FINANCING ACTIVITIES	
Interest paid	(816)
Increase in fixed deposits with licensed banks	-
Net (repayment) / drawdown / (repayment) of bankers' acceptance	(145)
Drawdown of term loan	6,422
Dividend paid	-
Repayment of hire purchase payables	(29)
Repayment of term loans	(2,000)
NET CASH FROM FINANCING ACTIVITIES	3,432
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,046)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	6,518
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	3,472

Unaudited Condensed Consolidated Statement of Cash Flows for the Period Ended 30 June 2017

30 Jun 2017
RM'000

CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD COMPRISE:-

- Deposit with financial institutions	24
- Cash and bank balances	3,464
	<hr/>
	3,488
Less: Fixed deposits pledged with licensed banks	(16)
	<hr/>
	3,472
	<hr/>

Notes:

1. *The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited consolidated financial statements for the financial period ended 31 March 2017 and the accompanying explanatory notes attached to these interim financial statements.*
2. *As a result of the change in the financial year end to 31 March as announced to Bursa Malaysia Securities Berhad on 24 February 2016, there are no comparative figures disclosed for the preceding year corresponding period as the last audited financial statements were for a 15-month period from 1 January 2016 to 31 March 2017.*

Interim Financial Report for the Period Ended 30 June 2017

Part A – Explanatory Notes Pursuant to Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22, Part A of Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial report should be read in conjunction with the audited consolidated financial statements for the financial period ended 31 March 2017 and the accompanying explanatory notes attached to these audited financial statements.

The accounting policies and methods of computations adopted in these interim financial statements are consistent with those adopted in the financial statements for the financial period ended 31 March 2017.

A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those adopted as disclosed in the financial statements for the period ended 31 March 2017 except for the adoption of the following :-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Defer until further notice
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 ‘Revenue from Contracts with Customers’	1 January 2018
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 12: Clarification of the Scope of Standard	1 January 2017
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	
• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

The above accounting standards (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

Interim Financial Report for the Period Ended 30 June 2017

Part A – Explanatory Notes Pursuant to Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting

A3. Auditors' Report on Preceding Annual Financial Statements

There was no qualification to the audited financial statements of the Company and its subsidiaries for the financial period ended 31 March 2017.

A4. Seasonal or Cyclical Factors

The financial performance of the Group is not significantly affected by any seasonal or cyclical factors.

A5. Item of Unusual Nature

There were no unusual items affecting the assets, liabilities, equity, net income or cash flow because of their nature, size or incidence for the financial quarter under review.

A6. Material Changes in Estimates

There were no changes in estimates of amounts reported in prior financial years that have had a material effect in the current financial quarter.

A7. Changes in Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial quarter except for those disclosed in Note B7.

A8. Dividend Paid

An interim dividend of 1.00 sen per share amounting to RM2,200,000 in respect of the financial year ending 31 March 2018 was paid on 28 July 2017.

No dividend was paid by the Company in the current financial quarter.

Interim Financial Report for the Period Ended 30 June 2017

Part A – Explanatory Notes Pursuant to Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting

A9. Segmental Information

The Group has three reportable segments as shown below, which are the Group's strategic business units in two principal geographical areas. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Business activities

	Individual Quarter Current Period Quarter 30 Jun 2017 RM'000	Cumulative Quarter Current Period To Date 30 Jun 2017 RM'000
<u>Revenue</u>		
Land transport operations	23,505	23,505
Warehousing and distribution operations	2,060	2,060
Other services	15	15
Total	25,580	25,580

Profit before tax

Land transport operations	2,812	2,812
Warehousing and distribution operations	788	788
Other services	3	3
Total	3,603	3,603

Geographical area

	Individual Quarter Current Period Quarter 30 Jun 2017 RM'000	Cumulative Quarter Current Period To Date 30 Jun 2017 RM'000
<u>Revenue</u>		
Malaysia	23,788	23,788
Singapore	1,792	1,792
Total	25,580	25,580

Interim Financial Report for the Period Ended 30 June 2017

Part A – Explanatory Notes Pursuant to Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting

A10. Capital Commitments

Capital commitments for property, plant and equipment not provided for as at 30 June 2017 are as follows:-

	RM'000
Approved and contracted for:	
- Property, plant and equipment	2,324

A11. Material Events Subsequent To the End of Interim Period

There were no material events that have occurred subsequent to the end of the current financial quarter from 1 July 2017 to the date of this report.

A12. Changes in Composition of the Group

There were no changes in the composition of the Group during the current financial quarter under review.

A13. Contingent Liabilities or Contingent Assets

No provisions are recognised on the following matters as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement:-

	RM'000
Unsecured:	
Corporate guarantee given to licensed bank for credit facilities granted to subsidiary	46,285

Interim Financial Report for the Period Ended 30 June 2017

Part B – Explanatory Notes Pursuant to the Main Market Listing Requirements of Bursa Securities

B1. Review of Performance of the Group

For the 3-month period ended 30 June 2017, the Group recorded a revenue of approximately RM25.58 million and profit before tax of approximately RM3.60 million. The revenue was mainly derived from land transport operations which accounted for approximately 91.89% of the Group's revenue. The Group's revenue from land transport operations comprises cargo transportation services and container haulage services.

For the 3-month period ended 30 June 2017, cargo transportation services accounted for approximately 57.34% of the Group's total revenue and approximately 44.65 of the Group's total PBT whilst container haulage services accounted for approximately 34.55% of the Group's total revenue and approximately 33.40% of the Group's total PBT. In aggregate, land transport operations accounted for approximately 91.89% of the Group's total revenue and 78.05% of the Group's total PBT.

Warehousing and distribution operations accounted for approximately 8.05% of the Group's total revenue and 21.87% of the Group's total PBT for the 3-month period ended 30 June 2017. The period of warehousing varies between customers and the warehousing rental rate is charged based on a weekly or monthly basis. For the financial quarter under review, rental rate of the warehousing services has remained relatively constant.

Revenue derived from other services which comprise freight forwarding, customs brokerage and ecommerce services as well as manufacturing and fabrication of trailers accounted for approximately 0.06% of the Group's total revenue and 0.08% of the Group's total PBT for the 3-month period ended 30 June 2017.

B2. Variation of Quarterly Results Compared To the Results of the Preceding Quarter

	3 Months Ended		Deviation	
	31 Mar 2017	30 Jun 2017	Amount	
	RM'000	RM'000	RM'000	%
Revenue	26,646	25,580	(1,066)	(4.00)
Profit After Tax	1,913	2,946	1,033	54.00

The Group's revenue decreased by 4% from approximately RM26.65 million recorded in the immediate preceding financial quarter to approximately RM25.58 million in the current financial quarter.. Profit after tax of the Group increased by 54.00% from approximately RM1.91 million in the previous financial quarter to approximately RM2.95 million in the current financial quarter. The increase in profit after tax as compared to the preceding quarter was mainly due to the payment of staff bonus in the preceding financial quarter where no such expenses were incurred in the current financial quarter. Reversal of impairment losses on trade receivables has further contributed to the increase in profit after tax for the current financial quarter.

Interim Financial Report for the Period Ended 30 June 2017

Part B – Explanatory Notes Pursuant to the Main Market Listing Requirements of Bursa Securities

B3. Prospects of the Group

The Group has in place a business expansion plan moving forward, focused on the following:

- Expansion of the Group's fleet of vehicles;
- Enhance the warehousing facilities of the Group; and
- Setting-up a new external haulage division in Klang Valley and Penang.

Barring any unforeseen circumstances, the Board is optimistic about the Group's performance but cautious of the uncertain global economic conditions for the financial year ending 31 March 2018.

B4. Profit Forecast and Profit Estimate

The Group did not issue any profit forecast or profit estimate previously in any public document.

B5. Notes to the Statement of Profit or Loss and Other Comprehensive Income

	Individual Quarter Current Period Quarter 30 Jun 2017 RM'000	Cumulative Quarter Current Period To Date 30 Jun 2017 RM'000
Depreciation of property, plant and equipment	2,009	2,009
Gain on foreign exchange	(2)	(2)
Interest expense	816	816
Interest income	(15)	(15)
Gain on disposal of property, plant and equipment	(30)	(30)

Save for the above, the other items as required under Paragraph 16, Part A of Appendix 9B of the Main Market Listing Requirements of Bursa Securities are not applicable.

Interim Financial Report for the Period Ended 30 June 2017

Part B – Explanatory Notes Pursuant to the Main Market Listing Requirements of Bursa Securities

B6. Income Tax Expense

	Individual Quarter Current Period Quarter 30 Jun 2017 RM'000	Cumulative Quarter Current Period To Date 30 Jun 2017 RM'000
<u>Income Tax</u>		
Current tax expense	557	557
Deferred tax	100	100
	657	657

The effective tax rate for the current financial quarter is lower than the statutory tax rate of 24% mainly due to income not subject to tax arising from reversal of impairment losses on trade receivables.

B7. Status of Corporate Proposals

There was no corporate proposal announced and not completed as at the date of this report.

B8. Group Borrowings

The Group's borrowings as at 30 June 2017 are as follows:

	Unaudited As At 30 Jun 2017 RM'000	Audited As at 31 Mar 2017 RM'000
<u>Long term borrowings</u>		
<i>Secured:</i>		
Term loans	63,266	58,888
Hire purchase	283	333
	63,549	59,221
<u>Short term borrowings</u>		
<i>Secured:</i>		
Term loans	8,593	8,550
Hire purchase	160	139
Banker acceptance	2,570	2,715
	11,323	11,404
Total borrowings	74,872	70,625

B9. Material Litigation

The Group does not have any material litigation and the Directors are not aware of any proceedings pending or threatened against the Group as at the date of issuance of this interim financial report.

Interim Financial Report for the Period Ended 30 June 2017

Part B – Explanatory Notes Pursuant to the Main Market Listing Requirements of Bursa Securities

B10. Dividends

No dividend was declared for the financial quarter under review.

An interim dividend of 1.00 sen per share amounting to RM2,200,000 in respect of the financial year ending 31 March 2018 was paid on 28 July 2017.

B11. Realised and Unrealised Profits

The disclosure of realised and unrealised profits below is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities.

	Unaudited As At 30 Jun 2017 RM'000	Audited As at 31 Mar 2017 RM'000
Total retained earnings		
- realised	75,453	74,115
- unrealised	<u>7,937</u>	<u>6,265</u>
	<u>83,390</u>	<u>80,380</u>

B12. Earnings Per Share

(a) Basic Earnings Per Share

The basic earnings per share for the current quarter and financial year to date are computed as follows:-

	Individual Quarter Current Period Quarter RM'000	Cumulative Quarter Current Period To Date RM'000
Profit for the period attributable to owners of the Company	<u>3,010</u>	<u>3,010</u>
Weighted average number of ordinary shares in issue ('000)	<u>216,000</u>	<u>216,000</u>
Basic earnings per share (sen)	<u>1.39</u>	<u>1.39</u>

(b) Diluted Earnings Per Share

Diluted earnings per share were not computed as the Company does not have any dilutive potential ordinary shares in issue for the current quarter and financial year-to-date.