

# **XIN HWA HOLDINGS BERHAD**

(Incorporated in Malaysia)

Company No: 1032102-P

## **INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2018**

### **Contents**

	Page
Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.....	1
Unaudited Condensed Consolidated Statement of Financial Position.....	2
Unaudited Condensed Consolidated Statement of Changes in Equity.....	3
Unaudited Condensed Consolidated Statement of Cash Flows.....	4
Notes to the Condensed Financial Statements .....	5

**XIN HWA HOLDINGS BERHAD**

(Incorporated in Malaysia) Company No: 1032102-P

**Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Period Ended 30 September 2018**

(The figures have not been audited)

	Notes	Second Quarter Ended		Cumulative Quarter Ended	
		30.9.2018 RM'000 Unaudited	30.9.2017 RM'000 Unaudited	30.9.2018 RM'000 Unaudited	30.9.2017 RM'000 Unaudited
REVENUE		29,557	27,900	56,246	53,480
COST OF SALES		(19,463)	(17,955)	(37,234)	(34,787)
GROSS PROFIT		10,094	9,945	19,012	18,693
OTHER OPERATING INCOME		94	24	184	53
SELLING AND DISTRIBUTION EXPENSES		(361)	(247)	(595)	(477)
ADMINISTRATIVE EXPENSES		(6,772)	(4,835)	(13,304)	(8,920)
FINANCE COSTS		(1,265)	(779)	(2,088)	(1,638)
PROFIT BEFORE TAXATION	<b>B5</b>	1,790	4,108	3,209	7,711
TAXATION	<b>B6</b>	190	(1,148)	(275)	(1,805)
PROFIT AFTER TAXATION		1,980	2,960	2,934	5,906
OTHER COMPREHENSIVE INCOME, NET OF TAX		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		1,980	2,960	2,934	5,906
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
- Owners of the Company		2,031	3,011	3,075	6,021
- Non-controlling interests		(51)	(51)	(141)	(115)
		1,980	2,960	2,934	5,906
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
- Owners of the Company		2,031	3,011	3,075	6,021
- Non-controlling interests		(51)	(51)	(141)	(115)
		1,980	2,960	2,934	5,906
Earnings per share (sen) attributable to Owners of the Company:-					
- Basic	<b>B11</b>	0.94	1.39	1.42	2.79

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 year ended 31 March 2018 and the accompanying explanatory notes attached to these interim financial statements.

**XIN HWA HOLDINGS BERHAD**

(Incorporated in Malaysia) Company No: 1032102-P

**Unaudited Condensed Consolidated Statement of Financial Position as at 30 September 2018**

	Notes	As at 30.9.2018 RM'000 Unaudited	As at 31.03.2018 RM'000 Audited
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		205,634	197,006
Goodwill		497	497
Deferred tax asset		16	16
Development costs		132	198
		<u>206,279</u>	<u>197,717</u>
<b>CURRENT ASSETS</b>			
Inventories		2,821	3,341
Trade receivables		30,021	28,327
Other receivables, deposits and prepayments		5,436	7,404
Current tax assets		4,611	3,953
Fixed deposits with licensed banks		25	24
Cash and bank balances		3,295	6,749
		<u>46,209</u>	<u>49,798</u>
<b>TOTAL ASSETS</b>		<u>252,488</u>	<u>247,515</u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		108,000	108,000
Reserves		40,435	37,360
ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>148,435</u>	<u>145,360</u>
NON-CONTROLLING INTERESTS		534	160
<b>TOTAL EQUITY</b>		<u>148,969</u>	<u>145,520</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	<b>B8</b>	62,837	63,691
Deferred tax liabilities		6,711	6,661
		<u>69,548</u>	<u>70,352</u>
<b>CURRENT LIABILITIES</b>			
Trade payables		7,509	8,748
Other payables and accruals		5,131	6,028
Short term borrowings	<b>B8</b>	16,429	15,079
Bank overdraft		4,672	1,728
Current tax liabilities		230	60
		<u>33,971</u>	<u>31,643</u>
<b>TOTAL LIABILITIES</b>		<u>103,519</u>	<u>101,995</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>252,488</u>	<u>247,515</u>
Net assets per share attributable to ordinary equity holders of the parent (RM) <sup>(1)</sup>		<u>0.69</u>	<u>0.67</u>

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

(1) - Based on the issued share capital of 215,999,998 ordinary shares.

**Unaudited Condensed Consolidated Statement of Changes in Equity for the Period Ended 30 September 2018**

	←-----Attributable to owners of the Company----->				Retained Profits RM'000	Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
	←----- Non-Distributable ----->		----- Distributable -----					
	Share Capital RM'000	Merger Deficit RM'000	Revaluation Reserve RM'000	Foreign exchange translation reserve RM'000				
As at 1 April 2018	108,000	(68,979)	16,188	1	90,150	145,360	160	145,520
Total comprehensive income for the period	-	-	-	-	3,075	3,075	(141)	2,934
Dividend paid	-	-	-	-	-	-	(105)	(105)
Issue paid up capital	-	-	-	-	-	-	620	620
<b>As at 30 September 2018</b>	<b>108,000</b>	<b>(68,979)</b>	<b>16,188</b>	<b>1</b>	<b>93,225</b>	<b>148,435</b>	<b>534</b>	<b>148,969</b>
As at 1 April 2017	108,000	(68,979)	17,359	-	80,380	136,760	517	137,277
Total comprehensive income for the period	-	-	-	-	6,021	6,021	(115)	5,906
Reverse revaluation reserve	-	-	(1,171)	-	1,560	389	-	389
Dividend paid	-	-	-	-	(2,160)	(2,160)	-	(2,160)
<b>As at 30 September 2017</b>	<b>108,000</b>	<b>(68,979)</b>	<b>16,188</b>	<b>-</b>	<b>85,801</b>	<b>141,010</b>	<b>402</b>	<b>141,412</b>

*The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 March 2018 and the accompanying explanatory notes attached to these interim financial statements.*

**Unaudited Condensed Consolidated Statement of Cash Flows for the Period Ended 30 September 2018**

	<b>30.9.2018</b> <b>RM'000</b> <b>Unaudited</b>	<b>30.9.2017</b> <b>RM'000</b> <b>Unaudited</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	3,209	7,711
Adjustments for:-		
Depreciation of property, plant and equipment	4,761	3,988
Loss/(gain) on disposal of property, plant and equipment	2	(725)
Interest expense	1,872	1,571
Interest income	(2)	(29)
Reversal of impairment losses on trade receivables	(90)	(1,628)
Operating profit before working capital changes	<u>9,752</u>	<u>10,888</u>
Decrease/(increase) in inventories	520	(518)
Decrease/(increase) in trade and other receivables	363	(1,572)
Decrease in trade and other payables	(1,515)	(2,555)
Increase in amount owing to directors	-	400
<b>CASH FROM OPERATIONS</b>	<u>9,120</u>	<u>6,643</u>
Income tax paid	(713)	(1,270)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>8,407</u>	<u>5,373</u>
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>		
Interest received	2	29
Purchase of property, plant and equipment	(13,424)	(11,090)
Proceeds from disposal of property, plant and equipment	100	4,197
Purchase of short-term investment	-	(26)
<b>NET CASH FOR INVESTING ACTIVITIES</b>	<u>(13,322)</u>	<u>(6,890)</u>
<b>CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES</b>		
Interest paid	(1,872)	(1,571)
Net repayment of bankers' acceptance	(1,697)	(552)
Drawdown of term loan	7,097	8,479
Drawdown of hire purchase	159	336
Dividend paid	(105)	(2,160)
Repayment of hire purchase payables	(140)	(114)
Repayment of term loans	(4,924)	(4,290)
<b>NET CASH FOR/(FROM) FINANCING ACTIVITIES</b>	<u>(1,482)</u>	<u>128</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(6,397)</u>	<u>(1,389)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	<u>5,029</u>	<u>6,518</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<u>(1,368)</u>	<u>5,129</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD COMPRISE:-</b>		
- Deposit with financial institutions	25	24
- Cash and bank balances	3,295	5,121
- Bank overdraft	(4,672)	-
	<u>(1,352)</u>	<u>5,145</u>
Less: Fixed deposits pledged with licensed banks	(16)	(16)
	<u>(1,368)</u>	<u>5,129</u>

*The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 March 2018 and the accompanying explanatory notes attached to these interim financial statements.*

**Interim Financial Report for the Period Ended 30 September 2018**

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

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**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 year ended 31 March 2018 and the accompanying explanatory notes attached to the 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 year ended 31 March 2018.

**A2. Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those adopted as disclosed in the financial statements for the year ended 31 March 2018 except for the adoption of the following :-

<b>MFRSs and/or IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long Term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

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

**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 year ended 31 March 2018.

**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.

**Interim Financial Report for the Period Ended 30 September 2018**

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

**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.

**A8. Dividend Paid**

There was no dividend paid during the current quarter under review.

**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 Ended		Cumulative Quarter Ended	
	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000
<u>Revenue</u>				
Land transport operations	26,819	25,455	51,023	48,960
Warehousing and distribution operations	2,642	2,257	5,053	4,317
Other services	96	188	170	203
Total	<u>29,557</u>	<u>27,900</u>	<u>56,246</u>	<u>53,480</u>
<u>Profit before tax</u>				
Land transport operations	1,342	3,206	2,400	6,018
Warehousing and distribution operations	446	882	811	1,670
Other services	2	20	(2)	23
Total	<u>1,790</u>	<u>4,108</u>	<u>3,209</u>	<u>7,711</u>

**Interim Financial Report for the Period Ended 30 September 2018**

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

**A9. Segmental Information (Cont’d)**

**Geographical area**

	Individual Quarter Ended		Cumulative Quarter Ended	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
	RM’000	RM’000	RM’000	RM’000
<u>Revenue</u>				
Malaysia	26,122	25,933	50,080	49,721
Singapore	3,435	1,967	6,166	3,759
Total	<u>29,557</u>	<u>27,900</u>	<u>56,246</u>	<u>53,480</u>

**A10. Capital Commitments**

Capital commitments for property, plant and equipment not provided for as at 30 September 2018 are as follows:-

	RM’000
Approved and contracted for:	
- Property, plant and equipment	44,745

**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 October 2018 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.

Subsequent to the end of the current quarter, Xin Hwa Holdings Berhad (“Company”) had on 1 November 2018, incorporated a 51% owned subsidiary with the name of XH Nusantara Energy Sdn. Bhd. (“XHNE”) which intended principal activity is provision of logistics for oil and gas industry.

XHNE has a total issued capital of RM100.00 comprising 100 ordinary share at an issue price of RM1.00 each and the shareholding of the respective shareholders of XHNE are:

The Company holding: 51%  
Nusalindo Salvage (M) Sdn. Bhd.: 40%  
Proven Vision Sdn. Bhd.: 9%



**XIN HWA HOLDINGS BERHAD**

(Incorporated in Malaysia) Company No: 1032102-P

**Interim Financial Report for the Period Ended 30 September 2018**

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

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**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:-

	<b>RM'000</b>
Unsecured:	
Corporate guarantee given to licensed bank for credit facilities granted to subsidiary	75,058

**Interim Financial Report for the Period Ended 30 September 2018**

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

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**B1. Review of Performance of the Group**

For the 3-month period ended 30 September 2018, the Group recorded a revenue of approximately RM29.56 million and profit before tax (“PBT”) of approximately RM1.79 million. The revenue was mainly derived from land transport operations which accounted for approximately 90.74% of the Group’s total revenue and 75.00 % of the Group’s total PBT. The Group’s revenue from land transport operations comprises cargo transportation services and container haulage services.

For the 3-month period ended 30 September 2018, cargo transportation services accounted for approximately 58.09% of the Group’s total revenue and approximately 44.97% of the Group’s total PBT whilst container haulage services accounted for approximately 32.65% of the Group’s total revenue and approximately 30.03% of the Group’s total PBT.

Warehousing and distribution operations accounted for approximately 8.94% of the Group’s total revenue and 24.92% of the Group’s total PBT for the 3-month period ended 30 September 2018. 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, e-commerce services as well as manufacturing and fabrication of trailers accounted for approximately 0.32% of the Group’s total revenue and marginally reduced the Group’s total PBT by 0.08% for the 3-month period ended 30 September 2018.

Overall, the slight increase in revenue for the 3-month period ended 30 September 2018 as compared to the previous year corresponding period was mainly due to new contracts awarded for cargo transportation services during the current financial quarter. In addition, the Group also managed to secure new customers for warehousing segment which has further contributed to the increase in revenue.

Notwithstanding the increase in revenue, PBT of the Group for the 3-month period ended 30 September 2018 has decreased by approximately 56.43% as compared to the previous year corresponding period. This was mainly due to the gain on disposal of the property approximately RM0.70 million in the 3-month period ended 30 September 2017. Further, there was also an increase in staff salary of approximately RM0.62 million as a result of annual increment and increase the bank borrowings cost approximately RM0.49 million during the current quarter which has resulted in the decrease in PBT of the Group as compared to the previous year corresponding period.

**XIN HWA HOLDINGS BERHAD**

(Incorporated in Malaysia) Company No: 1032102-P

**Interim Financial Report for the Period Ended 30 September 2018****Part B – Explanatory Notes Pursuant to the Main Market Listing Requirements of Bursa Securities**

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

	3 Months Ended		Deviation	
	30.06.2018	30.9.2018	Amount	
	RM'000	RM'000	RM'000	%
<b>Revenue</b>	26,689	29,557	2,868	10.75
<b>Profit After Tax</b>	954	1,980	1,026	107.55

The Group's revenue increased by 10.75% from approximately RM26.69 million recorded in the immediate preceding financial quarter to approximately RM29.56 million in the current financial quarter. The increase in revenue as compared to preceding quarter was mainly due to new contracts awarded for cargo transportation services and continued increase in demand from existing customers during the current financial quarter. However, profit after tax of the Group increased by 107.55% from approximately RM0.95 million in the previous financial quarter to approximately RM1.98 million in the current financial quarter. The increase in profit after tax as compared to the preceding quarter was mainly due to the overprovision of taxation in the previous financial quarter and due to the higher increase in gross profit contribution from land transport operations.

**Interim Financial Report for the Period Ended 30 September 2018**

**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;
- Setting-up a new external haulage division in Penang;
- To grow the business-to-business (B2B) e-commerce business; and
- Setting-up the “Integrated Logistic Solution Hub” in Pasir Gudang, Johor Bahru.

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 2019.

**B4. Profit Forecast and Profit Estimate**

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

**B5. Profit before taxation**

	<b>Individual</b>		<b>Cumulative</b>	
	<b>Quarter Ended</b>		<b>Quarter Ended</b>	
	<b>30.9.2018</b>	<b>30.9.2017</b>	<b>30.9.2018</b>	<b>30.9.2017</b>
	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>
Depreciation of property, plant and equipment	2,466	1,979	4,761	3,988
Gain on foreign exchange	(5)	3	(6)	1
Interest expense	1,104	755	1,872	1,571
Interest income	-	(14)	(2)	(29)
Gain on disposal of property, plant and equipment	4	(695)	2	(725)

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 September 2018**

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

**B6. Income Tax Expense**

	Individual		Cumulative	
	Quarter Ended		Quarter Ended	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
	RM'000	RM'000	RM'000	RM'000
<b><u>Income Tax</u></b>				
Current tax expense	(190)	1,048	225	1,605
Deferred tax	-	100	50	200
	<u>(190)</u>	<u>1,148</u>	<u>275</u>	<u>1,805</u>

The effective tax rate for the current financial quarter and financial year-to-date is lower than the statutory tax rate of 24% as the Company has been granted investment tax allowance of 60% in respect of qualifying capital expenditure incurred for the period of 5 years from 19 January 2018 until 18 January 2023.

The current tax asset for the financial quarter under review was due mainly to the reversal of overprovision of tax for 1<sup>st</sup> quarter of year 2018.

**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 September 2018 are as follows:

	As at	As at
	30.9.2018	31.03.2018
	RM'000	RM'000
	Unaudited	Audited
<u>Long term borrowings</u>		
<i>Secured:</i>		
Term loans	62,330	63,167
Hire purchase	507	524
	<u>62,837</u>	<u>63,691</u>
<u>Short term borrowings</u>		
<i>Secured:</i>		
Term loans	13,352	10,344
Hire purchase	257	218
Banker acceptance	2,820	4,517
	<u>16,429</u>	<u>15,079</u>
Total borrowings	<u>79,266</u>	<u>78,770</u>

**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 September 2018**

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

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**B10. Dividends**

No dividend was declared or paid for the financial quarter under review.

**B11. 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 Ended		Cumulative Quarter Ended	
	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000
Profit for the period attributable to owners of the Company	<u>2,031</u>	<u>3,011</u>	<u>3,075</u>	<u>6,021</u>
Weighted average number of ordinary shares in issue ('000)	<u>216,000</u>	<u>216,000</u>	<u>216,000</u>	<u>216,000</u>
Basic earnings per share (sen)	<u>0.94</u>	<u>1.39</u>	<u>1.42</u>	<u>2.79</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.