

XIN HWA HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No: 1032102-P

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 JUNE 2019

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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 June 2019

(The figures have not been audited)

	Notes	First Quarter Ended		Cumulative Quarter Ended	
		30.6.2019 RM'000 Unaudited	30.6.2018 RM'000 Unaudited	30.6.2019 RM'000 Unaudited	30.6.2018 RM'000 Unaudited
REVENUE		30,730	26,689	30,730	26,689
COST OF SALES		(19,709)	(17,771)	(19,709)	(17,771)
GROSS PROFIT		11,021	8,918	11,021	8,918
OTHER OPERATING INCOME		56	90	56	90
SELLING AND DISTRIBUTION EXPENSES		(284)	(234)	(284)	(234)
ADMINISTRATIVE EXPENSES		(7,096)	(6,532)	(7,096)	(6,532)
FINANCE COSTS		(1,110)	(823)	(1,110)	(823)
PROFIT BEFORE TAXATION	B5	2,587	1,419	2,587	1,419
TAXATION	B6	(215)	(465)	(215)	(465)
PROFIT AFTER TAXATION		2,372	954	2,372	954
OTHER COMPREHENSIVE INCOME, NET OF TAX		-	-	-	-
TOTAL COMPREHENSIVE PROFIT FOR THE FINANCIAL PERIOD		2,372	954	2,372	954
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
- Owners of the Company		2,309	1,044	2,309	1,044
- Non-controlling interests		63	(90)	63	(90)
		2,372	954	2,372	954
TOTAL COMPREHENSIVE PROFIT ATTRIBUTABLE TO:-					
- Owners of the Company		2,309	1,044	2,309	1,044
- Non-controlling interests		63	(90)	63	(90)
		2,372	954	2,372	954
Earnings per share (sen) attributable to Owners of the Company:-					
- Basic	B11	1.07	0.48	1.07	0.48

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 2019 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 June 2019

	Notes	As at 30.6.2019 RM'000 Unaudited	As at 31.03.2019 RM'000 Audited
NON-CURRENT ASSETS			
Property, plant and equipment		254,926	254,916
Goodwill		345	345
Deferred tax asset		-	-
Development costs		-	-
		<u>255,271</u>	<u>255,261</u>
CURRENT ASSETS			
Inventories		3,088	2,709
Trade receivables		32,134	27,014
Other receivables, deposits and prepayments		4,758	5,341
Current tax assets		1,821	5,514
Fixed deposits with licensed banks		26	26
Cash and bank balances		4,968	1,798
		<u>46,795</u>	<u>42,402</u>
TOTAL ASSETS		<u>302,066</u>	<u>297,663</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital		108,000	108,000
Reserves		76,460	74,142
ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>184,460</u>	<u>182,142</u>
NON-CONTROLLING INTERESTS		<u>1,277</u>	<u>1,215</u>
TOTAL EQUITY		<u>185,737</u>	<u>183,357</u>
NON-CURRENT LIABILITIES			
Long term borrowings	B8	62,676	62,251
Deferred tax liabilities		10,790	10,795
		<u>73,466</u>	<u>73,046</u>
CURRENT LIABILITIES			
Trade payables		8,663	8,134
Other payables and accruals		9,255	13,734
Short term borrowings	B8	17,561	15,050
Bank overdraft		7,127	4,303
Current tax liabilities		257	39
		<u>42,863</u>	<u>41,260</u>
TOTAL LIABILITIES		<u>116,329</u>	<u>114,306</u>
TOTAL EQUITY AND LIABILITIES		<u>302,066</u>	<u>297,663</u>
Net assets per share attributable to ordinary equity holders of the parent (RM) ⁽¹⁾		<u>0.86</u>	<u>0.84</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 2019 and the accompanying explanatory notes attached to these interim financial statements.

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

XIN HWA HOLDINGS BERHAD

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Unaudited Condensed Consolidated Statement of Changes in Equity for the Period Ended 30 June 2019

	-----Attributable to owners of the Company-----						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	Retained Profits RM'000	Total RM'000		
As at 1 April 2019	108,000	(68,979)	51,332	(4)	91,793	182,142	1,215	183,357
Total comprehensive income for the period	-	-	-	9	2,309	2,181	62	2,380
Other comprehensive income for the financial period:								
- Foreign currency translation differences	-	-	-					
Dividend paid	-	-	-	-	-	-		
Issue paid up capital	-	-	-	-	-	-		
As at 30 June 2019	108,000	(68,979)	51,332	5	94,102	184,460	1,277	185,737

XIN HWA HOLDINGS BERHAD

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Unaudited Condensed Consolidated Statement of Changes in Equity for the Period Ended 30 June 2019

	←----- Non-Distributable -----→		←----- Attributable to owners of the Company -----→			Distributable	Non-controlling Interests	Total Equity
	Share Capital RM'000	Merger Deficit RM'000	Revaluation Reserve RM'000	Foreign exchange translation reserve RM'000	Retained Profits 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	-	-	-	-	1,044	1,044	(90)	954
As at 30 June 2018	108,000	(68,979)	16,188	1	91,194	146,404	70	146,474

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 2019 and the accompanying explanatory notes attached to these interim financial statements.

XIN HWA HOLDINGS BERHAD

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Unaudited Condensed Consolidated Statement of Cash Flows for the Period Ended 30 June 2019

	30.6.2019	30.6.2018
	RM'000	RM'000
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,587	1,419
Adjustments for:-		
Depreciation of property, plant and equipment	2,668	2,295
Property, plant and equipment written off		
Loss/(gain) on disposal of property, plant and equipment	-	(2)
Interest expense	1,018	768
Interest income	-	(2)
(reversal) of impairment losses on trade receivables	-	(90)
Operating profit before working capital changes	<u>6,273</u>	<u>4,388</u>
Decrease/(increase) in inventories	(380)	702
Increase in trade and other receivables	(4,537)	1,956
Decrease in trade and other payables	<u>(3,950)</u>	<u>(1,019)</u>
CASH FROM OPERATIONS	<u>(2,594)</u>	<u>6,027</u>
Income tax paid	(427)	(309)
Income tax refund	4,117	-
NET CASH FROM OPERATING ACTIVITIES	<u>1,096</u>	<u>5,718</u>
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	-	2
Purchase of property, plant and equipment	(2,678)	(9,003)
Proceeds from disposal of property, plant and equipment	-	74
Purchase of short-term investment	-	-
NET CASH FOR INVESTING ACTIVITIES	<u>(2,678)</u>	<u>(8,927)</u>
CASH FLOWS FOR FINANCING ACTIVITIES		
Interest paid	(1,018)	(768)
Net repayment of bankers' acceptance	(1,185)	(1,162)
Drawdown of term loan	6,700	3,453
Drawdown of hire purchase	-	
Repayment of hire purchase payables	(58)	(58)
Repayment of term loans	<u>(2,520)</u>	<u>(2,642)</u>
NET CASH FOR FINANCING ACTIVITIES	<u>1,919</u>	<u>(1,177)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	337	(4,386)
EFFECT OF FOREIGN EXCHANGE TRANSLATION	9	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	<u>(2,479)</u>	<u>5,029</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	<u>(2,133)</u>	<u>643</u>

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Unaudited Condensed Consolidated Statement of Cash Flows for the Period Ended 30 June 2019

	30.6.2019	30.6.2018
	RM'000	RM'000
	Unaudited	Unaudited
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR COMPRISE:-		
- Deposit with financial institutions	26	25
- Cash and bank balances	4,968	618
- Bank overdraft	(7,127)	-
	<u>(2,133)</u>	<u>643</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 2019 and the accompanying explanatory notes attached to these interim financial statements.

Interim Financial Report for the Period Ended 30 June 2019

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 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 2019.

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 2019 except for the adoption of the following :-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
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 3: Definition of a Business	1 January 2020
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 101 and MFRS 108: Definition of Material	1 January 2020
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 2019.

A4. Seasonal or Cyclical Factors

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

Interim Financial Report for the Period Ended 30 June 2019

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

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.

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	
	30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000
<u>Revenue</u>				
Land transport operations	27,648	24,204	27,648	24,204
Warehousing and distribution operations	3,073	2,411	3,073	2,411
Other services	9	74	9	74
Total	<u>30,730</u>	<u>26,689</u>	<u>30,730</u>	<u>26,689</u>
<u>Profit before tax</u>				
Land transport operations	1,896	1,058	1,896	1,058
Warehousing and distribution operations	688	365	688	365
Other services	3	(4)	3	(4)
Total	<u>2,587</u>	<u>1,419</u>	<u>2,587</u>	<u>1,419</u>

Interim Financial Report for the Period Ended 30 June 2019

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

A9. Segmental Information (Cont’d)

Geographical area

	Individual		Cumulative	
	Quarter Ended		Quarter Ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RM’000	RM’000	RM’000	RM’000
<u>Revenue</u>				
Malaysia	26,859	23,958	26,859	23,958
Singapore	3,472	2,731	3,472	2,731
Indonesia	399		399	
Total	<u>30,730</u>	<u>26,689</u>	<u>30,730</u>	<u>26,689</u>

A10. Capital Commitments

Capital commitments for property, plant and equipment not provided for as at 30 June 2019 are as follows:-

	RM’000
Approved and contracted for:	
- Property, plant and equipment	71,730

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 2019 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.

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Interim Financial Report for the Period Ended 30 June 2019

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

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	78,366

Interim Financial Report for the Period Ended 30 June 2019

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 2019, the Group recorded a revenue of approximately RM30.73 million and profit before tax (“PBT”) of approximately RM2.59 million. The revenue was mainly derived from land transport operations which accounted for approximately 89.97% of the Group’s total revenue and 73.29% 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 June 2019, cargo transportation services accounted for approximately 58.48% of the Group’s total revenue and approximately 46.50% of the Group’s total PBT whilst container haulage services accounted for approximately 31.49% of the Group’s total revenue and approximately 26.80% of the Group’s total PBT.

Warehousing and distribution operations accounted for approximately 10.00% of the Group’s total revenue and 26.60% of the Group’s total PBT for the 3-month period ended 30 June 2019. 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 0.03% of the Group’s total revenue and the Group’s total PBT by 0.11% for the 3-month period ended 30 June 2019.

Overall, the increase in revenue for the 3-month period ended 30 June 2019 has increased by approximately RM4.04 million 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.

PBT of the Group for the 3-month period ended 30 June 2019 has increased by approximately RM1.17 million as compared to the previous year corresponding period which was contributed from new contract awarded for cargo transportation services and new customers for warehouse segment.

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Interim Financial Report for the Period Ended 30 June 2019**Part B – Explanatory Notes Pursuant to the Main Market Listing Requirements of Bursa Securities**

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

	3 Months Ended		Deviation	
	31.3.2019	30.6.2019	Amount	
	RM'000	RM'000	RM'000	%
Revenue	25,266	30,730	5,464	21.63
Profit/(Loss) After Tax	(3,617)	2,372	5,989	165.58

The Group's revenue increased by 21.63% from approximately RM25.27 million recorded in the immediate preceding financial quarter to approximately RM30.73 million in the current financial quarter. The increase in revenue as compared to preceding quarter was mainly contributed from new contract awarded for cargo transportation services and new customers for warehousing segment. Profit after tax of the Group increased by 165%% from loss after taxation approximately RM3.62 million in the previous financial quarter to profit after taxation approximately 2.37 million in the current financial quarter. The increase in profit after tax as compared to the preceding quarter was mainly due to the increase in revenue and provision of impairment on goodwill, development costs, property, plant and equipment and provision the trade receivables approximately RM4.55 million in preceding quarter period ended 31 March 2019.

Interim Financial Report for the Period Ended 30 June 2019

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; 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 2020.

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

	Individual Quarter Ended		Cumulative Quarter Ended	
	30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000
Depreciation of property, plant and equipment	2,668	2,295	2,668	2,295
(Gain)/loss on foreign exchange	9	(1)	9	(1)
Interest expense	1,018	768	1,018	768
Interest income	-	(2)	-	(2)
Loss/ (gain) on disposal of property, plant and equipment	-	(2)	-	(2)

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 2019

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

B6. Income Tax Expense

	Individual		Cumulative	
	Quarter Ended		Quarter Ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RM'000	RM'000	RM'000	RM'000
<u>Income Tax</u>				
Current tax expense	215	415	215	415
Deferred tax	-	50	-	50
	<u>215</u>	<u>465</u>	<u>215</u>	<u>465</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.

B7. Status of Corporate Proposals

As at 26 September 2018, Proposed private placement of up to 21,599,999 new ordinary shares representing up to 10% of the total number of issued shares at an issue price to be determined and announced later.

During the last financial quarter Bursa Securities had, vide its letter dated 21 March 2019, approved the application for an extension of time until 1 October 2019 to complete the implementation of the proposed private placement.

Save for the above, 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 2019 are as follows:

	As at	As at
	30.6.2019	31.03.2019
	RM'000	RM'000
	Unaudited	Audited
<u>Long term borrowings</u>		
<i>Secured:</i>		
Term loans	62,312	58,133
Hire purchase	364	422
	<u>62,676</u>	<u>58,555</u>
<u>Short term borrowings</u>		
<i>Secured:</i>		
Term loans		
Hire purchase	14,074	14,074
Banker acceptance	224	224
	<u>3,263</u>	<u>4,448</u>
Total borrowings	<u>17,561</u>	<u>18,746</u>

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Interim Financial Report for the Period Ended 30 June 2019

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

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 2019

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

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	
	30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000
Profit for the period attributable to owners of the Company	2,309	1,044	2,309	1,044
Weighted average number of ordinary shares in issue ('000)	216,000	216,000	216,000	216,000
Basic earnings per share (sen)	1.07	0.48	1.07	0.48

(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.