

XIN HWA HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No: 1032102-P

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 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 September 2019

	Notes	Second Quarter Ended		Cumulative Quarter Ended	
		30.9.2019	30.9.2018	30.9.2019	30.9.2018
		RM'000	RM'000	RM'000	RM'000
		Unaudited	Unaudited	Unaudited	Unaudited
REVENUE		33,884	29,557	64,614	56,246
COST OF SALES		(22,890)	(19,463)	(42,599)	(37,234)
GROSS PROFIT		<u>10,994</u>	<u>10,094</u>	<u>22,015</u>	<u>19,012</u>
OTHER OPERATING INCOME		<u>272</u>	<u>94</u>	<u>328</u>	<u>184</u>
		11,266	10,188	22,343	19,196
SELLING AND DISTRIBUTION EXPENSES		(306)	(361)	(591)	(595)
ADMINISTRATIVE EXPENSES		(7,422)	(6,772)	(14,517)	(13,304)
FINANCE COSTS		<u>(1,154)</u>	<u>(1,265)</u>	<u>(2,264)</u>	<u>(2,088)</u>
PROFIT BEFORE TAXATION	B5	2,384	1,790	4,971	3,209
TAXATION	B6	<u>(236)</u>	<u>190</u>	<u>(451)</u>	<u>(275)</u>
PROFIT AFTER TAXATION		2,148	1,980	4,520	2,934
OTHER COMPREHENSIVE INCOME, NET OF TAX		-	-	-	-
TOTAL COMPREHENSIVE PROFIT FOR THE FINANCIAL PERIOD		<u>2,148</u>	<u>1,980</u>	<u>4,520</u>	<u>2,934</u>
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
- Owners of the Company		2,143	2,031	4,452	3,075
- Non-controlling interests		<u>5</u>	<u>(51)</u>	<u>68</u>	<u>(141)</u>
		<u>2,148</u>	<u>1,980</u>	<u>4,520</u>	<u>2,934</u>
TOTAL COMPREHENSIVE PROFIT ATTRIBUTABLE TO:-					
- Owners of the Company		2,143	2,031	4,452	3,075
- Non-controlling interests		<u>5</u>	<u>(51)</u>	<u>68</u>	<u>(141)</u>
		<u>2,148</u>	<u>1,980</u>	<u>4,520</u>	<u>2,934</u>
Earnings per share (sen) attributable to Owners of the Company:-					
- Basic	B11	<u>0.99</u>	<u>0.94</u>	<u>2.06</u>	<u>1.42</u>

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 September 2019

	Notes	As at 30.9.2019 RM'000 Unaudited	As at 31.3.2019 RM'000 Audited
NON-CURRENT ASSETS			
Property, plant and equipment		261,336	254,916
Goodwill		345	345
Deferred tax asset		-	-
Development costs		-	-
		261,681	255,261
CURRENT ASSETS			
Inventories		2,408	2,709
Trade receivables		35,272	27,014
Other receivables, deposits and prepayments		4,568	5,341
Current tax assets		1,495	5,514
Fixed deposits with licensed banks		26	26
Cash and bank balances		2,060	1,798
		45,829	42,402
TOTAL ASSETS		307,510	297,663
EQUITY AND LIABILITIES			
EQUITY			
Share capital		108,000	108,000
Reserves		78,603	74,142
ATTRIBUTABLE TO OWNERS OF THE COMPANY		186,603	182,142
NON-CONTROLLING INTERESTS		1,283	1,215
TOTAL EQUITY		187,886	183,357
NON-CURRENT LIABILITIES			
Long term borrowings	B8	58,738	62,251
Deferred tax liabilities		10,795	10,795
		69,533	73,046
CURRENT LIABILITIES			
Trade payables		9,150	8,134
Other payables and accruals		15,163	13,734
Short term borrowings	B8	20,490	15,050
Bank overdraft		5,288	4,303
Current tax liabilities		-	39
		50,091	41,260
TOTAL LIABILITIES		119,624	114,306
TOTAL EQUITY AND LIABILITIES		307,510	297,663
Net assets per share attributable to ordinary equity holders of the parent (RM) ⁽¹⁾		0.86	0.84

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

(Incorporated in Malaysia) Company No: 1032102-P

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

	< -----Attributable to owners of the Company----- >				Distributable	Total	Non-controlling	Total Equity
	Share Capital RM'000	Merger Deficit RM'000	Revaluation Reserve RM'000	Foreign exchange translation reserve 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	4,452	4,461	68	4,529
As at 30 September 2019	108,000	(68,979)	51,332	5	96,245	186,603	1,283	187,886
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)	2,034
Dividend paid	-	-	-	-	-	-	(105)	(105)
Issue paid up capital	-	-	-	-	-	-	620	620
As at 30 September 2018	108,000	(68,979)	16,188	1	93,225	148,435	534	148,969

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.

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

	30.9.2019	30.9.2018
	RM'000	RM'000
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,971	3,209
Adjustments for:-		
Depreciation of property, plant and equipment	5,579	4,761
Loss on disposal of property, plant and equipment	-	2
Interest expense	2,183	1,872
Interest income	(212)	(2)
Reversal of impairment losses on trade receivables	-	(90)
Operating profit before working capital changes	<u>12,521</u>	<u>9,752</u>
Decrease in inventories	301	520
(Increase)/Decrease in trade and other receivables	(7,500)	363
Increase/(Decrease) in trade and other payables	2,445	(1,515)
CASH FROM OPERATIONS	<u>7,767</u>	<u>9,120</u>
Income tax paid	(589)	(713)
Income tax refund	4,117	-
NET CASH FROM OPERATING ACTIVITIES	<u>11,295</u>	<u>8,407</u>
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	212	2
Purchase of property, plant and equipment	(12,000)	(13,424)
Proceeds from disposal of property, plant and equipment	-	100
NET CASH FOR INVESTING ACTIVITIES	<u>(11,788)</u>	<u>(13,322)</u>
CASH FLOWS FOR FINANCING ACTIVITIES		
Interest paid	(2,183)	(1,872)
Net drawdown/(repayment) of bankers' acceptance	663	(1,697)
Drawdown of term loan	6,700	7,097
Drawdown of hire purchase	-	159
Dividend paid	-	(105)
Repayment of hire purchase payables	(111)	(140)
Repayment of term loans	(5,324)	(4,924)
NET CASH FOR FINANCING ACTIVITIES	<u>(255)</u>	<u>(1,482)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(748)</u>	<u>(6,397)</u>
EFFECT OF FOREIGN EXCHANGE TRANSLATION	<u>9</u>	<u>-</u>
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>(3,218)</u>	<u>(1,368)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR COMPRISE:-		
- Deposit with financial institutions	26	25
- Cash and bank balances	2,060	3,295
- Bank overdraft	(5,288)	(4,672)
	<u>(3,202)</u>	<u>(1,352)</u>
Less: Fixed deposits pledged with licensed banks	(16)	(16)
	<u>(3,218)</u>	<u>(1,368)</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.

XIN HWA HOLDINGS BERHAD

(Incorporated in Malaysia) Company No: 1032102-P

Interim Financial Report for the Period Ended 30 September 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 2019 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 September 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	
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>				
Land transport operations	30,644	26,819	58,292	51,023
Warehousing and distribution operations	3,238	2,642	6,311	5,053
Other services	2	96	11	170
Total	33,884	29,557	64,614	56,246
<u>Profit before tax</u>				
Land transport operations	1,709	1,342	3,605	2,400
Warehousing and distribution operations	676	446	1,364	811
Other services	(1)	2	2	(2)
Total	2,384	1,790	4,971	3,209

Interim Financial Report for the Period Ended 30 September 2019

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	
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	RM’000	RM’000	RM’000	RM’000
<u>Revenue</u>				
Malaysia	30,199	26,122	57,058	50,080
Singapore	3,600	3,435	7,072	6,166
Indonesia	85	-	484	-
Total	<u>33,884</u>	<u>29,557</u>	<u>64,614</u>	<u>56,246</u>

A10. Capital Commitments

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

	RM’000
Approved and contracted for:	
- Property, plant and equipment	<u>72,716</u>

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 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.

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
Secured:	
Corporate guarantee given to licensed bank for credit facilities granted to subsidiary	<u>103,141</u>

Interim Financial Report for the Period Ended 30 September 2019

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

B1. Review of Performance of the Group

For the current quarter ended 30 September 2019, the Group recorded a revenue of approximately RM33.88 million and profit before tax (“PBT”) of approximately RM2.38 million. The revenue was mainly derived from land transport operations which accounted for approximately 90.43% of the Group’s total revenue and 71.69% of the Group’s total PBT. The Group’s revenue from land transport operations comprises cargo transportation services and container haulage services.

For the current quarter ended 30 September 2019, cargo transportation services accounted for approximately 60.12% of the Group’s total revenue and approximately 52.38% of the Group’s total PBT whilst container haulage services accounted for approximately 30.32% of the Group’s total revenue and approximately 19.29% of the Group’s total PBT.

Warehousing and distribution operations accounted for approximately 9.56% of the Group’s total revenue and 28.36% of the Group’s total PBT for the current quarter ended 30 September 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 has remained constant for the 3-month period ended 30 September 2019.

Overall, the increase in revenue for the 6-month period ended 30 September 2019 has increased by approximately RM8.37 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 6-month period ended 30 September 2019 has increased by approximately RM1.76 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.

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

	3 Months Ended		Deviation	
	30.9.2019	30.6.2019	Amount	
	RM’000	RM’000	RM’000	%
Revenue	33,884	30,730	3,154	10.26
Profit After Tax	2,148	2,372	(224)	(9.44)

The Group’s revenue increased by 10.26% from approximately RM30.73 million recorded in the immediate preceding financial quarter to approximately RM33.88 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 decreased by 9.44% from profit after taxation approximately RM2.37 million in the immediate preceding quarter to profit after taxation approximately RM2.15 million in the current financial quarter. The decrease in profit after tax as compared to the immediate preceding quarter was mainly due to the higher depreciation of property, plant and equipment and financing costs incurred in the current quarter.

Interim Financial Report for the Period Ended 30 September 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;
- Expansion into the Indonesian market;
- 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	
	30.9.2019 RM’000	30.9.2018 RM’000	30.9.2019 RM’000	30.9.2018 RM’000
Depreciation of property, plant and equipment	2,911	2,466	5,579	4,761
Gain on foreign exchange	-	(5)	-	(6)
Interest expense	1,165	1,104	2,183	1,872
Interest income	(212)	-	(212)	(2)
Loss on disposal of property, plant and equipment	-	4	-	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.

B6. Income Tax Expense

	Individual Quarter Ended		Cumulative Quarter Ended	
	30.9.2019 RM’000	30.9.2018 RM’000	30.9.2019 RM’000	30.9.2018 RM’000
<u>Income Tax</u>				
Current tax expense	236	(190)	451	225
Deferred tax	-	-	-	50
	236	(190)	451	275

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.

Interim Financial Report for the Period Ended 30 September 2019

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

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.

Bursa Malaysia Securities Berhad had, vide its letter dated 18 September 2019, approved the application for an extension of time until 1 April 2020 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 September 2019 are as follows:

	As at 30.9.2019 RM'000 Unaudited	As at 31.03.2019 RM'000 Audited
<u>Long term borrowings</u>		
<i>Secured:</i>		
Term loans	58,402	61,800
Hire purchase	336	451
	<u>58,738</u>	<u>62,251</u>
<u>Short term borrowings</u>		
<i>Secured:</i>		
Term loans	15,180	10,406
Hire purchase	200	196
Banker acceptance	5,110	4,448
	<u>20,490</u>	<u>15,050</u>
Total borrowings	<u>79,228</u>	<u>77,301</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.

B10. Dividends

On 13 September 2019, the Company has declared a first interim single tier dividend of RM0.005 per ordinary share amounting to approximately RM1.08 million to be paid on 11 October 2019.

Interim Financial Report for the Period Ended 30 September 2019

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

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	
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to owners of the Company	<u>2,143</u>	<u>2,031</u>	<u>4,452</u>	<u>3,075</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>0.99</u>	<u>0.94</u>	<u>2.06</u>	<u>1.42</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.