

XIN HWA HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No: 1032102-P

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2019

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

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Period Ended 31 December 2019

	Notes	Third Quarter Ended		Cumulative Quarter Ended	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
		RM'000 Unaudited	RM'000 Unaudited	RM'000 Unaudited	RM'000 Unaudited
REVENUE		32,355	33,017	96,969	89,263
COST OF SALES		(21,692)	(23,656)	(64,291)	(60,890)
GROSS PROFIT		<u>10,663</u>	<u>9,361</u>	<u>32,678</u>	<u>28,373</u>
OTHER OPERATING INCOME		325	29	653	213
		<u>10,988</u>	<u>9,390</u>	<u>33,331</u>	<u>28,586</u>
SELLING AND DISTRIBUTION EXPENSES		(317)	(312)	(908)	(907)
ADMINISTRATIVE EXPENSES		(7,789)	(6,875)	(22,306)	(20,179)
FINANCE COSTS		(1,202)	(1,124)	(3,466)	(3,212)
PROFIT BEFORE TAXATION	B5	<u>1,680</u>	<u>1,079</u>	<u>6,651</u>	<u>4,288</u>
TAXATION	B6	<u>(215)</u>	<u>(135)</u>	<u>(667)</u>	<u>(410)</u>
PROFIT AFTER TAXATION		<u>1,465</u>	<u>944</u>	<u>5,984</u>	<u>3,878</u>
OTHER COMPREHENSIVE INCOME, NET OF TAX		3	(28)	8	(28)
TOTAL COMPREHENSIVE PROFIT FOR THE FINANCIAL PERIOD		<u><u>1,468</u></u>	<u><u>916</u></u>	<u><u>5,992</u></u>	<u><u>3,850</u></u>
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
- Owners of the Company		1,513	1,047	5,964	4,122
- Non-controlling interests		(48)	(103)	20	(244)
		<u>1,465</u>	<u>944</u>	<u>5,984</u>	<u>3,878</u>
TOTAL COMPREHENSIVE PROFIT ATTRIBUTABLE TO:-					
- Owners of the Company		1,516	1,019	5,972	4,094
- Non-controlling interests		(48)	(103)	20	(244)
		<u>1,468</u>	<u>944</u>	<u>5,992</u>	<u>3,850</u>
Earnings per share (sen) attributable to Owners of the Company:-					
- Basic	B11	<u>0.70</u>	<u>0.48</u>	<u>2.76</u>	<u>1.91</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.

Unaudited Condensed Consolidated Statement of Financial Position as at 31 December 2019

	Notes	As at 31.12.2019 RM'000 Unaudited	As at 31.3.2019 RM'000 Audited
NON-CURRENT ASSETS			
Property, plant and equipment		290,192	254,916
Goodwill		345	345
Development costs		-	-
		<u>290,537</u>	<u>255,261</u>
CURRENT ASSETS			
Inventories		1,650	2,709
Trade receivables		33,037	27,014
Other receivables, deposits and prepayments		2,064	5,341
Current tax assets		1,774	5,514
Fixed deposits with licensed banks		26	26
Cash and bank balances		852	1,798
		<u>39,403</u>	<u>42,402</u>
TOTAL ASSETS		<u>329,940</u>	<u>297,663</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital		108,000	108,000
Reserves		79,034	74,142
ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>187,034</u>	<u>182,142</u>
NON-CONTROLLING INTERESTS		1,605	1,215
TOTAL EQUITY		<u>188,639</u>	<u>183,357</u>
NON-CURRENT LIABILITIES			
Long term borrowings	B8	90,725	62,251
Deferred tax liabilities		10,795	10,795
		<u>101,520</u>	<u>73,046</u>
CURRENT LIABILITIES			
Trade payables		7,117	8,134
Other payables and accruals		9,389	13,734
Short term borrowings	B8	17,925	15,050
Bank overdraft		5,318	4,303
Current tax liabilities		32	39
		<u>39,781</u>	<u>41,260</u>
TOTAL LIABILITIES		<u>141,301</u>	<u>114,306</u>
TOTAL EQUITY AND LIABILITIES		<u>329,940</u>	<u>297,663</u>
Net assets per share attributable to ordinary equity holders of the parent (RM) ⁽¹⁾		<u>0.87</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

(Incorporated in Malaysia) Company No: 1032102-P

Unaudited Condensed Consolidated Statement of Changes in Equity for the Period Ended 31 December 2019

	< -----Attributable to owners of the Company----- >							
	< ----- 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	Non-controlling Interests RM'000	Total Equity RM'000
As at 1 April 2019	108,000	(68,979)	51,332	(4)	91,793	182,142	1,215	183,357
Profit after tax for the financial period	-	-	-	-	5,964	5,964	20	5,984
Other comprehensive income for the financial period:- - Foreign currency translation differences	-	-	-	8	-	8	-	8
Total comprehensive income for the financial period	-	-	-	8	5,964	5,972	20	5,992
Dividend paid	-	-	-	-	(1,080)	(1,080)	-	(1,080)
Issue paid up capital	-	-	-	-	-	-	370	370
As at 31 December 2019	108,000	(68,979)	51,332	4	96,677	187,034	1,605	188,639
As at 1 April 2018	108,000	(68,979)	16,188	1	90,150	145,360	160	145,520
Profit after tax for the financial period	-	-	-	-	4,122	4,122	(244)	3,878
Other comprehensive income for the financial period:- - Foreign currency translation differences	-	-	-	(28)	-	(28)	-	(28)
Total comprehensive income for the period	-	-	-	(28)	4,122	4,094	(244)	3,850
Dividend paid	-	-	-	-	-	-	(105)	(105)
Issue paid up capital	-	-	-	-	-	-	620	620
As at 31 December 2018	108,000	(68,979)	16,188	(27)	94,272	149,454	431	149,885

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

(Incorporated in Malaysia) Company No: 1032102-P

Unaudited Condensed Consolidated Statement of Cash Flows for the Period Ended 31 December 2019

	31.12.2019	31.12.2018
	RM'000	RM'000
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,651	3,209
Adjustments for:-		
Depreciation of property, plant and equipment	8,474	4,761
Loss on disposal of property, plant and equipment	6	2
Impairment losses on trade receivables	116	-
Interest expense	3,343	1,872
Interest income	(212)	(2)
Reversal of impairment losses on trade receivables	(281)	(90)
Operating profit before working capital changes	<u>18,097</u>	<u>9,752</u>
Decrease in inventories	1,059	520
(Increase)/Decrease in trade and other receivables	(1,980)	363
Increase/(Decrease) in trade and other payables	(5,363)	(1,515)
CASH FROM OPERATIONS	<u>11,813</u>	<u>9,120</u>
Income tax paid	(1,071)	(713)
Income tax refund	4,117	-
NET CASH FROM OPERATING ACTIVITIES	<u>14,859</u>	<u>8,407</u>
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	1	2
Purchase of property, plant and equipment	(43,771)	(13,424)
Proceeds from disposal of property, plant and equipment	15	100
NET CASH FOR INVESTING ACTIVITIES	<u>(43,755)</u>	<u>(13,322)</u>
CASH FLOWS FOR FINANCING ACTIVITIES		
Interest paid	(3,343)	(1,872)
Net drawdown/(repayment) of bankers' acceptance	1,455	(1,697)
Net drawdown of term loan	34,389	7,097
Drawdown of hire purchase	-	159
Dividend paid	(1,080)	(105)
Repayment of hire purchase payables	(155)	(140)
Repayment of term loans	(4,340)	(4,924)
NET CASH FOR FINANCING ACTIVITIES	<u>26,926</u>	<u>(1,482)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,970)	(6,397)
EFFECT OF FOREIGN EXCHANGE TRANSLATION	9	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	<u>(2,495)</u>	<u>5,029</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	<u>(4,456)</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	852	3,295
- Bank overdraft	(5,318)	(4,672)
	<u>(4,440)</u>	<u>(1,352)</u>
Less: Fixed deposits pledged with licensed banks	(16)	(16)
	<u>(4,456)</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 31 December 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 following :-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 3: Definition of a Business	1 January 2020
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 References to the Conceptual Framework in MFRS Standards	1 January 2020

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 31 December 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

On 11 October 2019, the Company has paid a first interim single tier dividend of RM0.005 per ordinary share amounted to RM1.08 million.

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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>				
Land transport operations	29,583	26,792	87,876	77,815
Warehousing and distribution operations	2,770	2,626	9,081	7,679
Other services	2	3,599	12	3,769
Total	32,355	33,017	96,969	89,263
<u>Profit before tax</u>				
Land transport operations	1,267	790	4,872	3,190
Warehousing and distribution operations	413	287	1,777	1,098
Other services	-	2	2	-
Total	1,680	1,079	6,651	4,288

Interim Financial Report for the Period Ended 31 December 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM’000	RM’000	RM’000	RM’000
<u>Revenue</u>				
Malaysia	28,615	30,420	85,673	80,500
Singapore	3,575	2,597	10,647	8,763
Indonesia	165	-	649	-
Total	<u>32,355</u>	<u>33,017</u>	<u>96,969</u>	<u>89,263</u>

A10. Capital Commitments

Capital commitments for property, plant and equipment not provided for as at 31 December 2019 are as follows:-

	RM’000
Approved and contracted for:	
- Property, plant and equipment	<u>46,620</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 January 2020 to the date of this report.

A12. Changes in Composition of the Group

During the financial quarter under review, the Company, had on 30 October 2019, incorporated a 49% owned subsidiary, PT Xtra Heavy Logistik (“PTXHL”) under the laws of Republic of Indonesia.

The Company has subscribed 1,225 shares representing 49% of the entire issued and paid-up share capital of PTXHL for a total consideration of IDR1.255 billion (equivalent to RM355,250). Its intended principal activities are provision of logistic and warehousing services.

The incorporation is funded through internally generated funds and will not have any material effect on the Group’s earnings per share, net assets per share, gearings, share capital and substantial shareholding structure for the financial year ending 31 March 2020.

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>113,476</u>

Interim Financial Report for the Period Ended 31 December 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 financial quarter ended 31 December 2019, the Group recorded revenue of RM32.36 million and profit before tax (“PBT”) of RM1.68 million. The revenue was mainly derived from land transport operations which accounted for approximately 91.43% of the Group’s total revenue and 75.22% 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 31 December 2019, cargo transportation services accounted for approximately 60.34% of the Group’s total revenue and approximately 49.15% of the Group’s total PBT whilst container haulage services accounted for approximately 31.09% of the Group’s total revenue and approximately 26.08% of the Group’s total PBT.

Warehousing and distribution operations accounted for approximately 8.56% of the Group’s total revenue and 24.76% of the Group’s total PBT for the current quarter ended 31 December 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 31 December 2019.

Overall, the revenue for the 9-month period ended 31 December 2019 has increased by approximately RM7.71 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 9-month period ended 31 December 2019 has increased by approximately RM2.36 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	
	31.12.2019	30.9.2019	Amount	
	RM’000	RM’000	RM’000	%
Revenue	32,355	33,884	(1,529)	(4.51)
Profit After Tax	1,464	2,148	(684)	(31.84)

The Group’s total revenue decreased by 4.51% from RM33.88 million recorded for the immediate preceding financial quarter to RM32.36 million for the current financial quarter. The decrease in revenue as compared to immediate preceding quarter was caused by both the land transport operation and warehousing and distribution operation due to festive seasons during current financial quarter.

Profit after tax of the Group decreased by 31.84% from RM2.15 million for the immediate preceding quarter to RM1.46 million for the current financial quarter. The decrease in profit after tax as compared to the immediate preceding quarter was mainly due to lower profit contribution in respect of lower revenue, lower other income and higher administrative costs and financing costs incurred in the current quarter.

Interim Financial Report for the Period Ended 31 December 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;
- Expansion of the external haulage division in Penang and Kuantan; and
- Setting-up the “Integrated Logistic Solution Hub” in Pasir Gudang, Johor Bahru.

Barring any unforeseen circumstances, the Board is aware of the challenging environment and is very cautious of the uncertain global economic conditions and the recent Covid-19 virus event that took place in the fourth quarter 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	2,895	2,612	8,474	7,373
Gain on foreign exchange	(29)	(13)	(8)	(19)
Impairment losses on trade receivables	116	-	116	-
Interest expense	1,160	1,083	3,343	2,955
Interest income	-	(7)	(212)	(9)
Loss on disposal of property, plant and equipment	6	-	6	2
Reversal of impairment losses on trade receivables	(281)	-	(281)	-

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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
<u>Income Tax</u>				
Current tax expense	215	135	667	360
Deferred tax	-	-	-	50
	<u>215</u>	<u>135</u>	<u>667</u>	<u>410</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.

Interim Financial Report for the Period Ended 31 December 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 31 December 2019 are as follows:

	As at 31.12.2019 RM'000 Unaudited	As at 31.3.2019 RM'000 Audited
<u>Long term borrowings</u>		
<i>Secured:</i>		
Term loans	90,429	61,800
Hire purchase	296	451
	<u>90,725</u>	<u>62,251</u>
<u>Short term borrowings</u>		
<i>Secured:</i>		
Term loans	11,826	10,406
Hire purchase	196	196
Banker acceptance	5,903	4,448
	<u>17,925</u>	<u>15,050</u>
Total borrowings	<u>108,650</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 11 October 2019, the Company has paid a first interim single tier dividend of RM0.005 per ordinary share amounted to RM1.08 million.

No dividend was declared for the financial quarter under review.

Interim Financial Report for the Period Ended 31 December 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	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Profit for the period attributable to owners of the Company	<u>1,513</u>	<u>1,047</u>	<u>5,964</u>	<u>4,122</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>0.70</u>	<u>0.48</u>	<u>2.76</u>	<u>1.91</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.