

XIN HWA HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No: 1032102-P

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 JUNE 2020

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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 Financial Period Ended 30 June 2020

	Notes	First Quarter Ended		Cumulative Quarter Ended	
		30.6.2020 RM'000 Unaudited	30.6.2019 RM'000 Unaudited	30.6.2020 RM'000 Unaudited	30.6.2019 RM'000 Audited
REVENUE		19,534	30,730	19,534	30,730
COST OF SALES		(11,696)	(19,709)	(11,696)	(19,709)
GROSS PROFIT		<u>7,838</u>	<u>11,021</u>	<u>7,838</u>	<u>11,021</u>
OTHER OPERATING INCOME		<u>60</u>	<u>56</u>	<u>60</u>	<u>56</u>
SELLING AND DISTRIBUTION EXPENSES		(123)	(284)	(123)	(284)
ADMINISTRATIVE EXPENSES		(6,533)	(7,096)	(6,533)	(7,096)
FINANCE COSTS		<u>(1,131)</u>	<u>(1,110)</u>	<u>(1,131)</u>	<u>(1,110)</u>
PROFIT BEFORE TAXATION	B5	111	2,587	111	2,587
TAXATION	B6	<u>(1)</u>	<u>(215)</u>	<u>(1)</u>	<u>(215)</u>
PROFIT AFTER TAXATION		110	2,372	110	2,372
OTHER COMPREHENSIVE INCOME, NET OF TAX		132	9	132	9
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		<u>242</u>	<u>2,381</u>	<u>242</u>	<u>2,381</u>
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
- Owners of the Company		12	2,309	12	2,309
- Non-controlling interests		<u>98</u>	<u>63</u>	<u>98</u>	<u>63</u>
		<u>110</u>	<u>2,372</u>	<u>110</u>	<u>2,372</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
- Owners of the Company		119	2,309	119	2,309
- Non-controlling interests		<u>123</u>	<u>63</u>	<u>123</u>	<u>63</u>
		<u>242</u>	<u>2,372</u>	<u>242</u>	<u>2,372</u>
Earnings per share (sen) attributable to Owners of the Company:-					
- Basic	B11	<u>0.006</u>	<u>1.07</u>	<u>0.006</u>	<u>1.07</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 2020 and the accompanying explanatory notes attached to these interim financial statements.

Unaudited Condensed Consolidated Statement of Financial Position as at 30 June 2020

	Notes	As at 30.6.2020 RM'000 Unaudited	As at 31.3.2020 RM'000 Audited
NON-CURRENT ASSETS			
Property, plant and equipment		248,852	250,277
Right-of-use assets		53,610	53,886
Goodwill		345	345
		302,807	304,508
CURRENT ASSETS			
Inventories		1,467	1,966
Trade receivables		25,537	26,577
Other receivables, deposits and prepayments		3,213	3,770
Current tax assets		1,957	1,832
Fixed deposits with licensed banks		158	26
Cash and bank balances		5,218	3,402
		37,550	37,573
TOTAL ASSETS		340,357	342,081
EQUITY AND LIABILITIES			
EQUITY			
Share capital		108,000	108,000
Reserves		72,406	72,287
ATTRIBUTABLE TO OWNERS OF THE COMPANY		180,406	180,287
NON-CONTROLLING INTERESTS		2,610	2,487
TOTAL EQUITY		183,016	182,774
NON-CURRENT LIABILITIES			
Lease liabilities		1,219	1,392
Term loans	B8	92,511	90,130
Deferred tax liabilities		13,247	13,247
		106,977	104,769
CURRENT LIABILITIES			
Trade payables		6,994	8,531
Other payables and accruals		11,599	16,029
Lease liabilities		1,052	1,201
Term loans	B8	14,332	13,963
Bankers' Acceptances	B8	6,600	5,200
Bank overdraft	B8	9,772	9,574
Current tax liabilities		15	40
		50,364	54,538
TOTAL LIABILITIES		157,341	159,307
TOTAL EQUITY AND LIABILITIES		340,357	342,081
Net assets per share attributable to ordinary equity holders of the parent (RM) ⁽¹⁾		0.83	0.83

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 2020 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 Financial Period Ended 30 June 2020

	< -----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 2020	108,000	(68,979)	49,538	(58)	91,786	180,287	2,487	182,774
Profit after tax for the financial period	-	-	-	-	12	12	98	110
Other comprehensive expense for the financial period:- - Foreign currency translation differences	-	-	-	107	-	107	25	132
Total comprehensive expense for the financial period	-	-	-	107	12	119	123	242
As at 30 June 2020	108,000	(68,979)	49,538	49	91,798	180,406	2,610	183,016
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	-	-	-	-	2,309	2,309	63	2,372
Other comprehensive expense for the financial period:- - Foreign currency translation differences	-	-	-	9	-	9	-	9
Total comprehensive income for the financial period	-	-	-	9	2,309	2,318	63	2,381
As at 30 June 2019	108,000	(68,979)	51,332	5	94,102	184,460	1,278	185,738

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 2020 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 Financial Period Ended 30 June 2020

	30.6.2020	30.6.2019
	RM'000	RM'000
	Unaudited	Audited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	111	2,587
Adjustments for:-		
Depreciation expenses	3,015	2,668
Interest expense	1,105	1,018
Interest income	(3)	-
Reversal of impairment losses on trade receivables		-
Operating profit before working capital changes	<u>4,228</u>	<u>6,273</u>
Decrease in inventories	499	(380)
Increase in trade and other receivables	1,596	(4,537)
Decrease in trade and other payables	<u>(5,968)</u>	<u>(3,966)</u>
CASH FROM OPERATIONS	355	(2,610)
Income tax paid	(149)	(427)
Income tax refund	-	4,117
NET CASH FROM OPERATING ACTIVITIES	<u>206</u>	<u>1,080</u>
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	3	-
Purchase of property, plant and equipment	<u>(1,313)</u>	<u>(2,678)</u>
NET CASH FOR INVESTING ACTIVITIES	<u>(1,310)</u>	<u>(2,678)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(1,105)	(1,018)
Net drawdown/(repayment) of bankers' acceptance	1,400	(1,185)
Drawdown of term loan	2,749	6,700
Repayment of lease liabilities	(321)	(58)
Repayment of term loans	-	(2,520)
NET CASH FROM FINANCING ACTIVITIES	<u>2,723</u>	<u>1,919</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,619	321
EFFECT OF FOREIGN EXCHANGE TRANSLATION	132	9
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	<u>(6,163)</u>	<u>(2,479)</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>(4,412)</u>	<u>(2,149)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD COMPRISE:-		
- Deposit with financial institutions	158	26
- Cash and bank balances	5,218	4,968
- Bank overdraft	<u>(9,772)</u>	<u>(7,127)</u>
	<u>(4,396)</u>	<u>(2,133)</u>
Less: Fixed deposits pledged with licensed banks	(16)	(16)
	<u>(4,412)</u>	<u>(2,149)</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 2020 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 Financial Period Ended 30 June 2020

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 2020 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 2020.

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 2020 except for the following :-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 3: Reference to Conceptual Framework	1 January 2022
Amendments to MFRS 16: COVID-19 Related Rent Concessions	1 June 2020
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022

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 2020.

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 Financial Period Ended 30 June 2020

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	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>				
Land transport operations	16,541	27,648	16,541	27,648
Warehousing and distribution operations	2,993	3,073	2,993	3,073
Other services	-	9	-	9
Total	19,534	30,730	19,534	30,730
<u>(Loss)/Profit before tax</u>				
Land transport operations	(559)	1,896	(559)	1,896
Warehousing and distribution operations	670	688	670	688
Other services	-	3	-	3
Total	111	2,587	111	2,587

Interim Financial Report for the Financial Period Ended 30 June 2020

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	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM’000	RM’000	RM’000	RM’000
<u>Revenue</u>				
Malaysia	17,797	26,859	17,797	26,859
Singapore	1,064	3,472	1,064	3,472
Indonesia	673	399	673	399
Total	<u>19,534</u>	<u>30,730</u>	<u>19,534</u>	<u>30,730</u>

A10. Capital Commitments

Capital commitments for property, plant and equipment not provided for as at 30 June 2020 are as follows:-

	RM’000
Approved and contracted for:	
- Property, plant and equipment	<u>33,082</u>

A11. Material Events Subsequent To the End of Interim Period

On 18 August 2020, the Company had successfully placed out 5,400,000 new ordinary shares at RM0.27 per share amounted to approximately RM1,458,000.

Save for the above, there were no material events that have occurred subsequent to the end of the current financial quarter from 1 July 2020 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>123,215</u>

Interim Financial Report for the Financial Period Ended 30 June 2020

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 30 June 2020, the Group recorded revenue of RM19.53 million and profit before tax (“PBT”) of RM0.11 million. The revenue was mainly derived from land transport operations which accounted for approximately 84.68% of the Group’s total revenue. The land transport operations incurred a loss before tax (“LBT”) of RM 0.56 million due to lower revenue and higher costs. The Group’s revenue from land transport operations comprises cargo transportation services and container haulage services.

For the current quarter ended 30 June 2020, cargo transportation services accounted for approximately 42.70% of the Group’s total revenue whilst container haulage services accounted for approximately 41.61% of the Group’s total revenue.

Warehousing and distribution operations accounted for approximately 15.32% of the Group’s total revenue and incurred and achieved a PBT of RM0.67 million for the current quarter ended 31 March 2020. 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. The demand for warehousing during the Movement Control Order (“MCO”) period has remained constant.

There were no revenue derived from other services which comprise e-commerce services as well as manufacturing and fabrication of trailers due to the MCO.

The Group’s performance for the current quarter has significantly deteriorated due to the following:-

- i) Movement Control Order (“MCO”) imposed by the Malaysian government to restrict personal and business activities (other than essential products and services) to combat the increase in cases for the Covid-19 pandemic in April 2020 and Conditional Movement Control Order in May 2020; and
- ii) Spill over effect from the global economic downturn due to Covid-19.

Overall, the revenue for the financial period ended 30 June 2020 has decreased by approximately RM11.20 million (representing a 36.4% decrease) as compared to the previous year corresponding period. This was mainly due to the MCO and Covid-19 pandemic events as mentioned above. The Malaysian Government has categorised logistics and transportation industry as one of the essential services, so the Group’s logistic operations were able to operate at 50% capacity while abiding protective procedures and generate revenue.

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

	3 Months Ended		Deviation	
	30.6.2020	31.3.2020	Amount	
	RM’000	RM’000	RM’000	%
Revenue	19,534	20,732	(1,198)	(5.78%)
Profit/(Loss) After Tax	110	(4,847)	4,882	100.72%

The Group’s total revenue decreased by 5.78% from RM20.73 million recorded for the immediate preceding financial quarter to RM19.53 million for the current financial quarter. The decrease in revenue as compared to immediate preceding quarter was caused by the land transport operation due to the following events:-

- i) Movement Control Order (“MCO”) imposed by the Malaysian government to restrict personal and business activities (other than essential products and services) to combat the increase in cases for the Covid-19 pandemic in April 2020 and Conditional Movement Control Order in May 2020; and
- ii) Spill over effect from the global economic downturn due to Covid-19.

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Interim Financial Report for the Financial Period Ended 30 June 2020

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 (Cont'd)

Profit after tax of the Group increased by 100.72% from a loss after tax of RM4.85 million for the immediate preceding quarter to a profit after tax of RM0.11 million for the current financial quarter. The increase in profit after tax as compared to the immediate preceding quarter was mainly due to lower operating costs such as fuel costs and lower administrative costs such as lower allowance impairment losses for trade receivables.

B3. Prospects of the Group

The Covid-19 pandemic has severely impacted the global and local supply chains. Hence, the Group is experiencing a spill over effect from these global economic downturns and MCO that was imposed by the Malaysian Government on 18 March 2020. These events have caused a negative impact on the Group's performance. The Group is very cautious of the gloomy economic conditions and foresee that the performance of the Group will be undermined in the midst of these uncertainties in the near short-term.

Whilst the current economic and business activities are struggling to return to normal prior to the Covid-19 pandemic, the Group will continuously monitor the changes in business environment and supply chains. The Group has taken necessary measures to actively engage with businesses, ensure cost-savings and reductions to combat the challenging economic environment. The Group's performance will improve along with the economic environment once the Covid-19 pandemic subsides.

The Group is expanding at a slower pace that is in line with the current slowing economic environment, through the following business expansion plans:

- 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.

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	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
Depreciation expenses	3,015	2,668	3,015	2,668
Interest expense	1,105	1,018	1,105	1,018
Interest income	(3)	-	(3)	-

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 Financial Period Ended 30 June 2020

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

B6. Income Tax Expense

	Individual Quarter Ended		Cumulative Quarter Ended	
	30.6.2020	30.6.2019	30.6.2020	31.6.2019
	RM'000	RM'000	RM'000	RM'000
<u>Income Tax</u>				
Current tax expense	1	215	1	215
Deferred tax	-	-	-	-
	<u>1</u>	<u>215</u>	<u>1</u>	<u>215</u>

The effective tax rate for the current financial year-to-date is higher than the statutory tax rate of 24% due to higher non-deductible expenses. 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

On 26 September 2018, the Company had proposed a Private Placement via the issuance of 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 3 April 2020, approved the application for an extension of time until 1 October 2020 to complete the implementation of the Proposed Private Placement.

On 18 August 2020, the Company had successfully placed out 5,400,000 new ordinary shares at RM0.27 per share amounted to approximately RM1,458,000.

Save for the above, there was no corporate proposal announced and not completed as at the date of this report.

B8. Group Bank Borrowings

The Group's bank borrowings as at 30 June 2020 are as follows:

	As at 31.6.2020 RM'000 Unaudited	As at 31.3.2020 RM'000 Audited
<u>Long-term bank borrowings (Secured)</u>		
Term loans	<u>92,511</u>	<u>90,130</u>
<u>Short-term bank borrowings (Secured)</u>		
Term loans	14,332	13,963
Banker acceptance	6,600	5,200
Bank overdrafts	<u>9,772</u>	<u>9,574</u>
	<u>30,704</u>	<u>28,737</u>
Total bank borrowings	<u>123,215</u>	<u>118,867</u>

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Interim Financial Report for the Financial Period Ended 30 June 2020**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.

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 period to date are computed as follows:-

	Individual Quarter Ended		Cumulative Quarter Ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to owners of the Company	<u>12</u>	<u>2,309</u>	<u>12</u>	<u>2,309</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>0.006</u>	<u>1.07</u>	<u>0.006</u>	<u>1.07</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 period-to-date.