

XIN HWA HOLDINGS BERHAD

(Incorporated in Malaysia)

Registration No.: 201301002265 (1032102-P)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2021

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XIN HWA HOLDINGS BERHAD

(Incorporated in Malaysia) Registration no.: 201301002265 (1032102-P)

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Financial Period Ended 31 DECEMBER 2021

	Note	Third Quarter Ended	Cumulative Quarter Ended		
		31.12.2021 RM'000 Unaudited	31.12.2020 RM'000 Unaudited	31.12.2021 RM'000 Unaudited	31.12.2020 RM'000 Unaudited
REVENUE	A9	31,739	31,393	74,807	77,785
COST OF SALES		(24,506)	(20,827)	(53,759)	(52,344)
GROSS PROFIT		7,233	10,566	21,048	25,441
OTHER INCOME		2,751	70	3,765	985
ADMINISTRATIVE EXPENSES		9,984 (6,732)	10,636 (7,262)	24,813 (19,051)	26,426 (21,141)
SELLING AND DISTRIBUTION EXPENSES		(235)	(254)	(619)	(592)
FINANCE COSTS		(880)	(1,102)	(2,986)	(3,343)
PROFIT BEFORE TAX	B5	2,137	2,018	2,157	1,350
INCOME TAX EXPENSE	B6	(156)	(106)	(578)	(193)
PROFIT AFTER TAX		1,981	1,912	1,579	1,157
OTHER COMPREHENSIVE INCOME/(EXPENSE)		(84)	(96)	(84)	47
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		1,897	1,816	1,495	1,204
PROFIT AFTER TAX ATTRIBUTABLE TO:-					
- Owners of the Company		2,190	2,205	1,865	1,456
- Non-controlling interests		(209)	(293)	(286)	(299)
		1,981	1,912	1,579	1,157
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
- Owners of the Company		2,134	2,095	1,811	1,508
- Non-controlling interests		(237)	(279)	(316)	(304)
		1,897	1,816	1,495	1,204
Profit per share (sen) attributable to owners of the Company:-	B11				
- Basic		0.89	1.00	0.79	0.67
- Diluted		0.84	n/a	0.74	n/a

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 2021 and the accompanying explanatory notes attached to these interim financial statements.

XIN HWA HOLDINGS BERHAD

(Incorporated in Malaysia) Registration no.: 201301002265 (1032102-P)

Unaudited Condensed Consolidated Statement of Financial Position as at 31 DECEMBER 2021

	Note	As at 31.12.2021 RM'000 Unaudited	As at 31.3.2021 RM'000 Audited
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		227,280	275,331
Right-of-use assets		67,398	25,657
Goodwill		345	345
Prepayments		-	27,065
		295,023	328,398
CURRENT ASSETS			
Inventories		375	1,514
Trade receivables		28,719	28,176
Other receivables, deposits and prepayments		39,238	3,668
Current tax assets		2,179	1,740
Fixed deposits with licensed banks		162	158
Cash and bank balances		15,024	5,401
		85,697	40,657
TOTAL ASSETS		380,720	369,055
EQUITY AND LIABILITIES			
EQUITY			
Share capital		117,905	109,458
Reserves		77,178	75,383
Equity attributable to owners of the Company		195,083	184,841
Non-controlling interests		2,309	2,608
TOTAL EQUITY		197,392	187,449
NON-CURRENT LIABILITIES			
Lease liabilities		44,323	950
Term loans	B8	88,579	102,222
Deferred tax liabilities		14,064	13,764
		146,966	116,936
CURRENT LIABILITIES			
Trade payables		9,072	7,340
Other payables and accruals		11,755	21,604
Lease liabilities		1,112	790
Term loans	B8	8,733	17,350
Bankers' acceptances	B8	4,660	4,150
Bank overdrafts	B8	1,030	13,192
Current tax liabilities		-	244
		36,362	64,670
TOTAL LIABILITIES		183,328	181,606
TOTAL EQUITY AND LIABILITIES		380,720	369,055
Net assets per share attributable to ordinary equity holders of the parent (RM) (1)		0.80	0.75

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 2021 and the accompanying explanatory notes attached to these interim financial statements.

(1) - Based on the issued share capital of 245,149,998 ordinary shares.

XIN HWA HOLDINGS BERHAD

(Incorporated in Malaysia) Registration no.: 201301002265 (1032102-P)

Unaudited Condensed Consolidated Statement of Changes in Equity for the Financial Period Ended 31 DECEMBER 2021

		----- Attributable to owners of the Company -----								
		----- Non-Distributable -----			-----Distributable					
	Note	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 2021		109,458	(68,979)	49,538	42	94,783	184,842	2,608	187,450	
Contributions by owners of the Company:-										
- Issuance of ordinary shares	A7	8,447	-	-	-	-	8,447	-	8,447	
Profit after tax for the financial period		-	-	-	-	1,865	1,865	(286)	1,579	
Other comprehensive expense for the financial period:-										
- Foreign currency translation differences		-	-	-	(61)	(10)	(71)	(13)	(84)	
Total comprehensive income for the financial period		-	-	-	(61)	1,855	1,794	(299)	1,495	
As at 31 December 2021		117,905	(68,979)	49,538	(19)	96,638	195,083	2,309	197,392	
As at 1 April 2020		108,000	(68,979)	49,538	(58)	91,786	180,287	2,487	182,774	
Contributions by owners of the Company:-										
- Issuance of ordinary shares		1,458	-	-	-	-	1,458	-	1,458	
Loss after tax for the financial period		-	-	-	-	1,456	1,456	(299)	1,157	
Other comprehensive income for the financial period:-										
- Foreign currency translation differences		-	-	-	52	-	52	(5)	47	
Total comprehensive income for the financial period		-	-	-	52	1,456	1,508	(304)	1,204	
As at 31 December 2020		109,458	(68,979)	49,538	(6)	93,242	183,253	2,183	185,436	

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 2021 and the accompanying explanatory notes attached to these interim financial statements.

XIN HWA HOLDINGS BERHAD

(Incorporated in Malaysia) Registration no.: 201301002265 (1032102-P)

Unaudited Condensed Consolidated Statement of Cash Flows for the Financial Period Ended 31 DECEMBER 2021

	Note	As at 31.12.2021 RM'000 Unaudited	As at 31.12.2020 RM'000 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax		2,157	1,350
Adjustments for:-			
Depreciation expense		9,419	9,401
Interest expense		2,883	3,274
Interest income		(7)	(10)
Gain on disposal of property, plant and equipment		(3,575)	(2)
Net reversal of impairment losses on trade receivables		-	(781)
		<hr/>	<hr/>
Operating profit before working capital changes		10,877	13,232
Decrease in inventories		1,139	845
(Increase) / Decrease in trade and other receivables		(6,512)	1,915
Increase / (Decrease) in trade and other payables		2,557	(9,311)
		<hr/>	<hr/>
CASH FROM OPERATIONS		8,061	6,681
Income tax paid		(956)	(599)
		<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES		7,105	6,082
		<hr/>	<hr/>
CASH FLOWS FOR INVESTING ACTIVITIES			
Interest income received		7	10
Proceeds from disposal of property, plant and equipment		48,628	2
Purchase of property, plant and equipment		(7,940)	(16,803)
		<hr/>	<hr/>
NET CASH FOR INVESTING ACTIVITIES		40,695	(16,791)
		<hr/>	<hr/>
CASH FLOWS (FOR) / FROM FINANCING ACTIVITIES			
Net draw down of term loans		1,499	22,244
Interest paid		(2,883)	(3,274)
Proceeds from the issuance of ordinary shares	A7	8,446	1,458
Net draw down/(repayment) of bankers' acceptance		510	(1,050)
Net repayment of lease liabilities		(1,465)	(555)
Net repayment of term loans		(32,033)	(6,656)
		<hr/>	<hr/>
NET CASH (FOR) / FROM FINANCING ACTIVITIES		(25,926)	12,167
		<hr/>	<hr/>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		21,874	1,458
EFFECT OF FOREIGN EXCHANGE TRANSLATION		(84)	47
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD		(7,633)	(6,147)
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD		14,157	(4,642)
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD COMPRISE:-			
- Deposit with financial institutions		162	158
- Cash and bank balances		15,025	3,957
- Bank overdraft		(1,030)	(8,758)
		<hr/>	<hr/>
		14,157	(4,643)
		<hr/>	<hr/>

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 2021 and the accompanying explanatory notes attached to these interim financial statements.

Interim Financial Report for the Financial Period Ended 31 DECEMBER 2021

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 2021 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 2021.

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 2021 except for the following :-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
Amendments to MFRS 3: Reference to Conceptual Framework	1 January 2022
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
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 2021.

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.

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.

XIN HWA HOLDINGS BERHAD

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Interim Financial Report for the Financial Period Ended 31 DECEMBER 2021**Part A – Explanatory Notes Pursuant to Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting****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 three 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	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
<u>Revenue</u>				
Land transport operations	24,584	28,485	60,095	69,235
Warehousing and distribution operations	5,590	2,734	13,046	8,376
Other services	1,565	174	1,666	174
Total	31,739	31,393	74,807	77,785
<u>Profit before tax</u>				
Land transport operations	860	1,589	870	90
Warehousing and distribution operations	1,232	421	1,242	1,252
Other services	46	9	45	8
Total	2,138	2,019	2,157	1,350

Geographical area

	Individual Quarter Ended		Cumulative Quarter Ended	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
<u>Revenue</u>				
Malaysia	29,792	29,216	68,488	72,000
Singapore	1,786	2,123	5,916	4,996
Indonesia	161	54	404	789
Total	31,739	31,393	74,808	77,785

XIN HWA HOLDINGS BERHAD

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Interim Financial Report for the Financial Period Ended 31 DECEMBER 2021

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

A10. Capital Commitments

Capital commitments for property, plant and equipment not provided for as at 31 DECEMBER 2021 are as follows:-

	RM'000
Approved and contracted for:	
- Property, plant and equipment	9,486

A11. Material Events Subsequent To the End of Interim Period

There were no material events that had occurred subsequent to the end of the financial quarter from 1 January 2022 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	103,002

Interim Financial Report for the Financial Period Ended 31 DECEMBER 2021**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 2021, the Group recorded revenue of RM31.74 million and profit before tax (“PBT”) of RM2.14 million. The revenue was mainly derived from land transport operations which accounted for approximately 77.5% of the Group’s total revenue. The land transport operations achieved a PBT of RM0.9 million due to lower revenue generated compared to the same quarter in the preceding year. The Group’s revenue from land transport operations comprises cargo transportation services and container haulage services.

For the current quarter ended 31 DECEMBER 2021, cargo transportation services accounted for approximately 61.3% of the Group’s total revenue whilst container haulage services accounted for approximately 16.1% of the Group’s total revenue.

Warehousing and distribution operations accounted for approximately 17.6% of the Group’s total revenue and achieved a PBT of RM1.23 million for the current quarter ended 31 DECEMBER 2021. 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 for the current quarter has increased and contributed additional revenue of RM2.86 million as compared to the previous year corresponding period.

Revenue derived from other services which comprise of manufacturing and fabrication of trailers as well as e-commerce services have generated a revenue of RM1.56 million for the 3-month period ended 31 DECEMBER 2021.

Overall, the revenue for the 9-month financial period ended 31 DECEMBER 2021 has decreased by approximately RM2.98 million (representing a 3.8% decrease) as compared to the corresponding preceding financial period. This is as a result of lower revenue generated from the land transport operation.

The Group achieved a profit after tax of RM1.58 million for the current financial period as compared to a profit after tax of RM1.16 million for the corresponding preceding financial period. The increase in profit after tax as compared to the corresponding preceding financial period was mainly due to a gain on disposal of property, plant and equipment and offset by higher deferred tax expenses.

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

	3 Months Ended		Deviation	
	31.12.2021	30.9.2021	Amount	
	RM'000	RM'000	RM'000	%
Revenue	31,739	19,969	11,770	58.94
Profit After Tax	1,981	(224)	2,205	984.37

The Group’s total revenue increased by 58.94% from RM19.97 million recorded for the immediate preceding financial quarter to RM31.74 million for the current financial quarter. The increase in revenue as compared to immediate preceding quarter was derived by the land transport operation, warehousing and distribution segment.

The Group achieved a profit after tax of RM1.98 million for the current quarter as compared to a loss after tax of RM0.23 million for the immediate preceding quarter. The increase in profit after tax as compared to the immediate preceding quarter was mainly contributed from higher revenue and gain on disposal of property, plant and equipment.

Interim Financial Report for the Financial Period Ended 31 DECEMBER 2021

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

B3. Prospects of the Group

The COVID-19 epidemic situation has remained uncertain and continues to disrupt the global and local supply chains. The Group maintains its cautiousness and adheres to the Standard Operating Procedures (“SOPs”) and COVID-19 counter-measures.

Further, the Group had registered the COVID-19 vaccination programme for our employees and the majority of our employees have been vaccinated. Coupling with the opening of the economic sectors, the Group is optimistic that the global economic environment will return to its normal course in the near future. But the Group is also cautious of any risks that may have an adverse effect on the Group and the economic conditions.

The Group continues to actively engage with businesses, ensure cost-savings and reductions to combat the challenging economic environment whilst continuously monitor the changes in business environment and supply chains.

The Group is committed to expand that is in line with the current 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 tax

	Individual Quarter Ended		Cumulative Quarter Ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Depreciation expenses	3,433	3,030	9,419	9,401
Interest expense	826	1,077	2,883	3,274
Interest income	(1)	(4)	(7)	(10)

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	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
<u>Income tax expense</u>				
Current tax expense	156	55	278	93
Deferred tax expense	-	50	300	100
Total	156	105	578	193

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.

XIN HWA HOLDINGS BERHAD

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Interim Financial Report for the Financial Period Ended 31 DECEMBER 2021**Part B – Explanatory Notes Pursuant to the Main Market Listing Requirements of Bursa Securities****B7. Status of Corporate Proposals**

a) Private Placement

On 1 April 2021, Bursa Malaysia Securities Berhad ("Bursa Securities") had resolved to approve the listing and quotation for up to 66,419,998 Placement Shares to be issued pursuant to the Proposed Private Placement. The following new ordinary shares have been issued and listed and quoted on the Main Market:-

- i) On 3 May 2021, the Company issued 6,750,000 new ordinary shares at an issue price of RM0.3717.
- ii) On 27 July 2021, the Company issued 5,000,000 new ordinary shares at an issue price of RM0.4018.
- iii) On 9 September 2021, the Company issued 12,000,000 new ordinary shares at an issue price of RM0.3274.

b) ESOS

On 5 April 2021, the Company announced a proposal to undertake the establishment of an employees' share option scheme of up to 15% of the total number of issued shares in XHH (excluding treasury shares, if any) at any point in time during the tenure of the Proposed ESOS. On 19 May 2021, Bursa Securities had resolved to approve the listing and quotation such number of new XHH shares, representing up to 15% of the total number of issued shares of XHH, to be issued pursuant to the Proposed ESOS. The shareholders of the Group have approved the resolutions for the Proposed ESOS at the Extraordinary General Meeting ("EGM") held on 22 June 2021.

The Company had on 15 October 2021 announced that the ESOS is effective and the Company is full compliance with Paragraph 6.43(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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

B8. Group Borrowings

The Group's borrowings as at 31 DECEMBER 2021 are as follows:

	As at 31.12.2021 RM'000 Unaudited	As at 31.3.2021 RM'000 Audited
<u>Long-term borrowings (Secured)</u>		
Term loans	88,579	102,222
<u>Short-term borrowings (Secured)</u>		
Term loans	8,733	17,350
Banker acceptance	4,660	4,150
Bank overdrafts	1,030	13,192
	<u>14,423</u>	<u>34,692</u>
Total borrowings	<u>103,002</u>	<u>136,914</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.

XIN HWA HOLDINGS BERHAD

(Incorporated in Malaysia) Registration no.: 201301002265 (132102-P)

Interim Financial Report for the Financial Period Ended 31 DECEMBER 2021**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

Basic and Diluted Earnings Per Share

The basic and diluted Earnings per share for the current quarter and financial period to date are computed as follows:-

	Individual Quarter Ended		Cumulative Quarter Ended	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
Profit after tax attributable to owners of the Company	2,190	2,205	1,865	1,456
Weighted average number of ordinary shares in issue ('000) (basic)	245,150	221,400	235,281	218,690
Effects of conversion of warrants	16,700	-	17,522	-
Weighted average number of ordinary shares in issue ('000) (diluted)	261,850	221,400	252,803	218,690
Basic loss per share (sen)	0.89	1.00	0.79	0.67
Diluted loss per share (sen)	0.84	n/a	0.74	n/a