

XIN HWA HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No: 1032102-P

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 JUNE 2018

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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 2018

(The figures have not been audited)

		First Quarter Ended		Cumulative Quarter Ended	
		30.06.2018	30.06.2017	30.06.2018	30.06.2017
	Notes	RM'000	RM'000	RM'000	RM'000
		Unaudited	Unaudited	Unaudited	Unaudited
REVENUE		26,689	25,580	26,689	25,580
COST OF SALES		(17,771)	(16,832)	(17,771)	(16,832)
GROSS PROFIT		8,918	8,748	8,918	8,748
OTHER OPERATING INCOME		90	29	90	29
SELLING AND DISTRIBUTION EXPENSES		(234)	(230)	(234)	(230)
ADMINISTRATIVE EXPENSES		(6,532)	(4,085)	(6,532)	(4,085)
FINANCE COSTS		(823)	(859)	(823)	(859)
PROFIT BEFORE TAXATION	B5	1,419	3,603	1,419	3,603
TAXATION	B6	(465)	(657)	(465)	(657)
PROFIT AFTER TAXATION		954	2,946	954	2,946
OTHER COMPREHENSIVE INCOME, NET OF TAX		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		954	2,946	954	2,946
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
- Owners of the Company		1,044	3,010	1,044	3,010
- Non-controlling interests		(90)	(64)	(90)	(64)
		954	2,946	954	2,946
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
- Owners of the Company		1,044	3,010	1,044	3,010
- Non-controlling interests		(90)	(64)	(90)	(64)
		954	2,946	954	2,946
Earnings per share (sen) attributable to Owners of the Company:-					
- Basic	B11	0.48	1.39	0.48	1.39

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 2018 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 2018

	Notes	As at 30.06.2018 RM'000 Unaudited	As at 31.03.2018 RM'000 Audited
NON-CURRENT ASSETS			
Property, plant and equipment		203,676	197,006
Goodwill		497	497
Deferred tax asset		16	16
Development costs		165	198
		<u>204,354</u>	<u>197,717</u>
CURRENT ASSETS			
Inventories		2,639	3,341
Trade receivables		28,488	28,327
Other receivables, deposits and prepayments		5,378	7,404
Current tax assets		4,228	3,953
Fixed deposits with licensed banks		25	24
Cash and bank balances		634	6,749
		<u>41,392</u>	<u>49,798</u>
TOTAL ASSETS		<u>245,746</u>	<u>247,515</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital		108,000	108,000
Reserves		38,404	37,360
ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>146,404</u>	<u>145,360</u>
NON-CONTROLLING INTERESTS		70	160
TOTAL EQUITY		<u>146,474</u>	<u>145,520</u>
NON-CURRENT LIABILITIES			
Long term borrowings	B8	62,068	63,691
Deferred tax liabilities		6,711	6,661
		<u>68,779</u>	<u>70,352</u>
CURRENT LIABILITIES			
Trade payables		7,672	8,748
Other payables and accruals		6,085	6,028
Short term borrowings	B8	16,294	15,079
Bank overdraft		-	1,728
Current tax liabilities		442	60
		<u>30,493</u>	<u>31,643</u>
TOTAL LIABILITIES		<u>99,272</u>	<u>101,995</u>
TOTAL EQUITY AND LIABILITIES		<u>245,746</u>	<u>247,515</u>
Net assets per share attributable to ordinary equity holders of the parent (RM) ⁽¹⁾		<u>0.68</u>	<u>0.67</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 2018 and the accompanying explanatory notes attached to these interim financial statements.

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

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		<-----	<-----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 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
As at 1 April 2017	108,000	(68,979)	17,359	-	80,380	136,760	517	137,277
Total comprehensive income for the period	-	-	-	-	3,010	3,010	(64)	2,946
As at 30 June 2017	108,000	(68,979)	17,359	-	83,390	139,770	453	140,223

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Unaudited Condensed Consolidated Statement of Cash Flows for the Period Ended 30 June 2018

	30.06.2018 RM'000 Unaudited	30.06.2017 RM'000 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,419	3,603
Adjustments for:-		
Depreciation of property, plant and equipment	2,295	2,009
Gain on disposal of property, plant and equipment	(2)	(30)
Interest expense	768	816
Interest income	(2)	(15)
Reversal of impairment losses on trade receivables	(90)	(1,604)
Operating profit before working capital changes	4,388	4,779
Decrease/(increase) in inventories	702	(144)
Decrease/(increase) in trade and other receivables	1,956	(3,155)
Decrease in trade and other payables	(1,019)	(1,197)
Increase in amount owing to directors	-	400
CASH FROM OPERATIONS	6,027	683
Income tax paid	(309)	(616)
NET CASH FROM OPERATING ACTIVITIES	5,718	67
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	2	15
Purchase of property, plant and equipment	(9,003)	(6,577)
Proceeds from disposal of property, plant and equipment	74	30
Purchase of short-term investment	-	(13)
NET CASH FOR INVESTING ACTIVITIES	(8,927)	(6,545)
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES		
Interest paid	(768)	(816)
Net repayment of bankers' acceptance	(1,162)	(145)
Drawdown of term loan	3,453	6,422
Repayment of hire purchase payables	(58)	(29)
Repayment of term loans	(2,642)	(2,000)
NET CASH FOR/(FROM) FINANCING ACTIVITIES	(1,177)	3,432
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,386)	(3,046)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	5,029	6,518
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	643	3,472
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD COMPRISE:-		
- Deposit with financial institutions	25	24
- Cash and bank balances	634	3,464
	659	3,488
Less: Fixed deposits pledged with licensed banks	(16)	(16)
	643	3,472

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 2018 and the accompanying explanatory notes attached to these interim financial statements.

Interim Financial Report for the Period Ended 30 June 2018

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 2018.

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 2018 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 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 119: Plan Amendment, Curtailment or Settlement	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 2018.

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.

Interim Financial Report for the Period Ended 30 June 2018**Part A – Explanatory Notes Pursuant to Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting****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	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>				
Land transport operations	24,204	23,505	24,204	23,505
Warehousing and distribution operations	2,411	2,060	2,411	2,060
Other services	74	15	74	15
Total	26,689	25,580	26,689	25,580
<u>Profit before tax</u>				
Land transport operations	1,058	2,812	1,058	2,812
Warehousing and distribution operations	365	788	365	788
Other services	(4)	3	(4)	3
Total	1,419	3,603	1,419	3,603

Interim Financial Report for the Period Ended 30 June 2018

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	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>				
Malaysia	23,958	23,788	23,958	23,788
Singapore	2,731	1,792	2,731	1,792
Total	<u>26,689</u>	<u>25,580</u>	<u>26,689</u>	<u>25,580</u>

A10. Capital Commitments

Capital commitments for property, plant and equipment not provided for as at 30 June 2018 are as follows:-

	RM'000
Approved and contracted for:	
- Property, plant and equipment	2,406

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 2018 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.

Subsequent to the end of the current quarter, Xin Hwa Trading & Transport Sdn Bhd (“XHTT”), a wholly-owned subsidiary of the Company had on 6 July 2018, incorporated a subsidiary in Indonesia under the name of PT. Xin Hwa Situ which intended principal activities are to provide forwarding services.

PT. Xin Hwa Situ has a total issued capital of USD250,000 with XHTT holding 175,000 shares (70%) and PT. Sunan Inti Trans Utama holding 75,000 shares (30%).

XIN HWA HOLDINGS BERHAD

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Interim Financial Report for the Period Ended 30 June 2018**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	73,619

Interim Financial Report for the Period Ended 30 June 2018

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 2018, the Group recorded a revenue of approximately RM26.69 million and profit before tax ("PBT") of approximately RM1.42 million. The revenue was mainly derived from land transport operations which accounted for approximately 90.69% of the Group's total revenue and 74.56 % 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 2018, cargo transportation services accounted for approximately 55.87% of the Group's total revenue and approximately 41.62% of the Group's total PBT whilst container haulage services accounted for approximately 34.82% of the Group's total revenue and approximately 32.94% of the Group's total PBT.

Warehousing and distribution operations accounted for approximately 9.03% of the Group's total revenue and 25.72% of the Group's total PBT for the 3-month period ended 30 June 2018. 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 0.28% of the Group's total revenue and marginally reduced the Group's total LBT by 0.28% for the 3-month period ended 30 June 2018.

Overall, the slight increase in revenue for the 3-month period ended 30 June 2018 as compared to the previous year corresponding period was due mainly 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.

Notwithstanding the increase in revenue, PBT of the Group for the 3-month period ended 30 June 2018 has decreased by approximately 60.62% as compared to the previous year corresponding period. This was due mainly to reversal of impairment losses on trade receivables of approximately RM1.60 million in the 3-month period ended 30 June 2017. Further, there was also an increase in staff salary of approximately RM0.39 million as a result of annual increment and increased levy for foreign workers of approximately RM0.21 million during the current quarter which has resulted in the decrease in PBT of the Group as compared to the previous year corresponding period.

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Interim Financial Report for the Period Ended 30 June 2018**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	
	31.03.2018	30.06.2018	Amount	
	RM'000	RM'000	RM'000	%
Revenue	27,787	26,689	(1,098)	(3.95)
Profit After Tax	882	954	72	8.16

The Group's revenue decreased by 3.95% from approximately RM27.79 million recorded in the immediate preceding financial quarter to approximately RM26.69 million in the current financial quarter. The decrease in revenue as compared to preceding quarter was mainly due to festive season in June 2018 which has resulted in lower productivity during the month. However, profit after tax of the Group increased by 8.16% from approximately RM0.88 million in the previous financial quarter to approximately RM0.95 million in the current financial quarter. The increase in profit after tax as compared to the preceding quarter was mainly due to the allowance for impairment losses on trade receivables of approximately RM1.08 million recognised in the preceding quarter where no such expenses were incurred during the current quarter.

Interim Financial Report for the Period Ended 30 June 2018

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;
- To grow the business-to-business (B2B) e-commerce business;
- To expand the existing project cargo fleet capacity; 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 2019.

B4. Profit Forecast and Profit Estimate

The Group did not issue any profit forecast or profit estimate previously in any public document.

B5. Notes to the Statement of Profit or Loss and Other Comprehensive Income

	Individual Quarter Ended		Cumulative Quarter Ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	2,295	2,009	2,295	2,009
Gain on foreign exchange	(1)	(2)	(1)	(2)
Interest expense	768	816	768	816
Interest income	(2)	(15)	(2)	(15)
Gain on disposal of property, plant and equipment	(2)	(30)	(2)	(30)

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 2018

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

B6. Income Tax Expense

	Individual Quarter Ended		Cumulative Quarter Ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
<u>Income Tax</u>				
Current tax expense	415	557	415	557
Deferred tax	50	100	50	100
	<u>465</u>	<u>657</u>	<u>465</u>	<u>657</u>

The effective tax rate for the current financial quarter is higher than the statutory tax rate of 24% mainly due to certain expenses that are not deductible for tax purposes incurred in the current financial quarter.

B7. Status of Corporate Proposals

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 2018 are as follows:

	As at 30.06.2018 RM'000 Unaudited	As at 31.03.2018 RM'000 Audited
<u>Long term borrowings</u>		
<i>Secured:</i>		
Term loans	61,652	63,167
Hire purchase	416	524
	<u>62,068</u>	<u>63,691</u>
<u>Short term borrowings</u>		
<i>Secured:</i>		
Term loans	12,670	10,344
Hire purchase	269	218
Banker acceptance	3,355	4,517
	<u>16,294</u>	<u>15,079</u>
Total borrowings	<u>78,362</u>	<u>78,770</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

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Interim Financial Report for the Period Ended 30 June 2018**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	
	30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
Profit for the period attributable to owners of the Company	<u>1,044</u>	<u>3,010</u>	<u>1,044</u>	<u>3,010</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>0.48</u>	<u>1.39</u>	<u>0.48</u>	<u>1.39</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.