

XIN HWA HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No: 1032102-P

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2017

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 March 2017

(The figures have not been audited)

	Notes	Individual Quarter Current Quarter 31 Mar 2017 RM'000	Cumulative Quarter Current Period To Date 31 Mar 2017 RM'000
REVENUE		26,646	128,669
COST OF SALES		(16,783)	(80,449)
GROSS PROFIT		9,863	48,220
OTHER OPERATING INCOME		79	515
		9,942	48,735
SELLING AND DISTRIBUTION EXPENSES		(222)	(1,223)
ADMINISTRATIVE EXPENSES		(6,299)	(27,630)
FINANCE COSTS		(663)	(3,529)
PROFIT BEFORE TAXATION	B5	2,758	16,353
TAXATION	B6	(845)	(3,494)
PROFIT AFTER TAXATION		1,913	12,859
OTHER COMPREHENSIVE INCOME, NET OF TAX		-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		1,913	12,859
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-			
- Owners of the Company		1,971	12,834
- Non-Controlling interests		(58)	25
		1,913	12,859
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-			
- Owners of the Company		1,971	12,834
- Non-Controlling interests		(58)	25
		1,913	12,859
Earnings per share (sen) attributable to Owners of the Company:-			
- Basic	B13	0.91	5.94

Notes:

1. 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 December 2015 and the accompanying explanatory notes attached to these interim financial statements.
2. As a result of the change in the financial year end to 31 March 2017 as announced to Bursa Malaysia Securities Berhad on 24 February 2016, there are no comparative figures disclosed for the preceding year corresponding period as the first quarter ended 31 March 2016 is not regarded as the first quarter of the changed financial year ended 31 March 2017.

Unaudited Condensed Consolidated Statement of Financial Position as at 31 March 2017

	Notes	Unaudited As At 31 Mar 2017 RM'000	Audited As at 31 Dec 2015 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		185,305	127,648
Other investment		1,617	-
Goodwill		495	-
		<u>187,417</u>	<u>127,648</u>
CURRENT ASSETS			
Inventories		1,269	864
Trade receivables		26,764	24,844
Other receivables, deposits and prepayments		3,025	2,257
Tax recoverable		3,173	3,348
Deposit with financial institutions		24	10,022
Cash and bank balances		6,514	14,613
		<u>40,769</u>	<u>55,948</u>
TOTAL ASSETS		<u>228,186</u>	<u>183,596</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital		108,000	90,000
Share premium		-	6,452
Merger deficit		(68,979)	(68,979)
Revaluation reserve		17,359	18,139
Retained profits		80,511	81,925
ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>136,891</u>	<u>127,537</u>
NON-CONTROLLING INTERESTS		<u>530</u>	<u>505</u>
TOTAL EQUITY		<u>137,421</u>	<u>128,042</u>
NON-CURRENT LIABILITIES			
Long term borrowings	B9	59,082	33,872
Deferred tax liabilities		6,046	4,516
		<u>65,128</u>	<u>38,388</u>
CURRENT LIABILITIES			
Trade payables		5,244	5,333
Other payables and accruals		6,106	6,505
Provision for taxation		2,744	24
Short term borrowings	B9	11,543	5,304
		<u>25,637</u>	<u>17,166</u>
TOTAL LIABILITIES		<u>90,765</u>	<u>55,554</u>
TOTAL EQUITY AND LIABILITIES		<u>228,186</u>	<u>183,596</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)		<u>0.63⁽¹⁾</u>	<u>0.71⁽²⁾</u>

Notes:

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 December 2015 and the accompanying explanatory notes attached to these interim financial statements.

(1) - Based on the issued and paid-up share capital of 216,000,000 ordinary shares.

(2) - Based on the issued and paid-up share capital of 180,000,000 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 March 2017

	-----Attributable to equity holders of the Company-----						Non-controlling Interests RM'000	Total Equity RM'000
	<-----Non-Distributable----->			Distributable				
	Share Capital RM'000	Share Premium RM'000	Merger Deficit RM'000	Revaluation Reserve RM'000	Retained Profits RM'000	Total RM'000		
As at 1 January 2016	90,000	6,452	(68,979)	18,139	81,925	127,537	505	128,042
Total comprehensive income for the period	-	-	-	-	12,834	12,834	25	12,859
Dividend paid	-	-	-	-	(2,700)	(2,700)	-	(2,700)
Bonus issue	18,000	(6,452)			(11,548)	-	-	-
Revaluation of property and equipment	-	-	-	(780)	-	(780)		(780)
As at 31 March 2017	108,000	-	(68,979)	17,359	80,511	136,891	530	137,421

Notes:

1. 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 December 2015 and the accompanying explanatory notes attached to these interim financial statements.
2. As a result of the change in the financial year end to 31 March 2017 as announced to Bursa Malaysia Securities Berhad on 24 February 2016, there are no comparative figures disclosed for the preceding year corresponding period as the first quarter ended 31 March 2016 is not regarded as the first quarter of the changed financial year ended 31 March 2017.

Unaudited Condensed Consolidated Statement of Cash Flows for the Period Ended 31 March 2017

	Current Period To Date 31 Mar 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	16,353
Adjustments for:-	
Depreciation of property, plant and equipment	8,958
Gain on disposal of property, plant and equipment	(133)
Interest expense	3,311
Interest income	(442)
Operating profit before working capital changes	<u>28,047</u>
Increase in inventories	(404)
Increase in trade and other receivables	(2,686)
Increase in trade and other payables	(492)
CASH FROM OPERATIONS	<u>24,465</u>
Tax paid	(2,943)
Tax refund	3,094
Interest paid	(3,311)
NET CASH FROM OPERATING ACTIVITIES	<u>21,305</u>
CASH FLOWS FOR INVESTING ACTIVITIES	
Interest received	442
Purchase of property, plant and equipment	(66,882)
Proceeds from disposal of property, plant and equipment	400
Purchase of investment	(1,617)
Net acquisition of subsidiary company	(494)
NET CASH FOR INVESTING ACTIVITIES	<u>(68,151)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Net drawdown of bankers' acceptance	2,715
Drawdown of term loan	35,826
Drawdown of hire purchases payables	468
Dividend paid	(2,700)
Repayment of hire purchase payables	(227)
Repayment of term loans	(7,333)
NET CASH FROM FINANCING ACTIVITIES	<u>28,749</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(18,097)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	<u>24,621</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>6,524</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD COMPRISE:-	
- Deposit with financial institutions	24
- Cash and bank balances	6,514
	<u>6,538</u>
Less: Fixed deposits pledged with licensed banks	(14)
	<u>6,524</u>

Notes:

- 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 December 2015 and the accompanying explanatory notes attached to these interim financial statements.*
- As a result of the change in the financial year end to 31 March 2017 as announced to Bursa Malaysia Securities Berhad on 24 February 2016, there are no comparative figures disclosed for the preceding year corresponding period as the first quarter ended 31 March 2016 is not regarded as the first quarter of the changed financial year ended 31 March 2017.*

Interim Financial Report for the Period Ended 31 March 2017

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 December 2015 and the accompanying explanatory notes attached to these 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 December 2015.

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 December 2015 except for the adoption of the following :-

MFRSs (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Defer until further notice
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 ‘Revenue from Contracts with Customers’	1 January 2018
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 12: Clarification of the Scope of Standard	1 January 2017
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	
• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

The above accounting standards (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

Interim Financial Report for the Period Ended 31 March 2017

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

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 December 2015.

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.

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 except for those disclosed in Note B7.

A8. Dividend Paid

An interim dividend of 1.50 sen per share amounting to RM2,700,000 in respect of the financial year ended 31 December 2015 was paid on 28 March 2016.

No dividend was paid by the Company in the current financial quarter.

Interim Financial Report for the Period Ended 31 March 2017

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

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 Current Period Quarter 31 Mar 2017 RM'000	Cumulative Quarter Current Period To Date 31 Mar 2017 RM'000
<u>Revenue</u>		
Land transport operations	24,341	119,745
Warehousing and distribution operations	2,196	8,671
Other services	109	253
Total	26,646	128,669
<u>Profit before tax</u>		
Land transport operations	2,186	13,578
Warehousing and distribution operations	567	2,757
Other services	5	18
Total	2,758	16,353

Geographical area

	Individual Quarter Current Period Quarter 31 Mar 2017 RM'000	Cumulative Quarter Current Period To Date 31 Mar 2017 RM'000
<u>Revenue</u>		
Malaysia	24,835	120,417
Singapore	1,811	8,252
Total	26,646	128,669

Interim Financial Report for the Period Ended 31 March 2017

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 March 2017 are as follows:-

	RM'000
Approved and contracted for:	
- Property, plant and equipment	4,077

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 April 2017 to the date of this report.

A12. Changes in Composition of the Group

The Company had on 24 March 2017 acquired 5,001 ordinary shares, equivalent to 50.01% equity interest in Yiwugou Ecommerce Sdn Bhd for a total cash consideration of RM500,000. As a result of the acquisition which was completed on 30 March 2017, Yiwugou Ecommerce Sdn Bhd is a subsidiary of the Company.

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	41,052

Interim Financial Report for the Period Ended 31 March 2017

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 31 March 2017, the Group recorded a revenue of approximately RM26.65 million and profit before tax of approximately RM2.76 million. The revenue was mainly derived from land transport operations which accounted for approximately 91.35% of the Group's revenue. The Group's revenue from land transport operations comprises cargo transportation services and container haulage services.

For the 3-month period ended 31 March 2017, cargo transportation services accounted for approximately 57.92% of the Group's total revenue and approximately 50.57% of the Group's total PBT whilst container haulage services accounted for approximately 33.43% of the Group's total revenue and approximately 28.69% of the Group's total PBT. In aggregate, land transport operations accounted for approximately 91.35% of the Group's total revenue and 79.26% of the Group's total PBT.

Warehousing and distribution operations accounted for approximately 8.24% of the Group's total revenue and 20.56% of the Group's total PBT for the 3-month period ended 31 March 2017. 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 and customs brokerage services as well as manufacturing and fabrication of trailers accounted for approximately 0.41% of the Group's total revenue and 0.18% of the Group's total PBT for the 3-month period ended 31 March 2017.

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

	3 Months Ended		Deviation	
	31 Dec 2016	31 Mar 2017	Amount	
	RM'000	RM'000	RM'000	%
Revenue	26,661	26,646	(15)	(0.06)
Profit After Tax	2,415	1,913	(502)	(20.79)

The Group's revenue decreased by 0.06% from approximately RM26.66 million recorded in the immediate preceding financial quarter to approximately RM26.65 million in the current financial quarter. Profit after tax of the Group decreased by 20.79% from approximately RM2.42 million in the previous financial quarter to approximately RM1.91 million in the current financial quarter. The decrease in profit after tax as compared to the preceding quarter was due mainly to the decrease in revenue and payment of staff bonus in the current financial quarter.

Interim Financial Report for the Period Ended 31 March 2017

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; and
- Setting-up a new external haulage division in Klang Valley and Penang.

Further, the Group had ventured into the e-commerce industry via the online trading platform developed by Yiwugou Ecommerce Sdn Bhd during the financial quarter. This provides the Group with additional revenue stream and is expected to contribute positively to the Group's future revenue and earnings.

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 2018.

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 Current Period Quarter 31 Mar 2017 RM'000	Cumulative Quarter Current Period To Date 31 Mar 2017 RM'000
Depreciation of property, plant and equipment	1,901	8,958
Loss on foreign exchange	17	31
Interest expense	608	3,311
Interest income	(64)	(442)
Gain on disposal of property, plant and equipment	-	(133)
	<hr/>	<hr/>

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 31 March 2017

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

B6. Income Tax Expense

	Individual Quarter Current Period Quarter 31 Mar 2017 RM'000	Cumulative Quarter Current Period To Date 31 Mar 2017 RM'000
<u>Income Tax</u>		
Current tax expense	695	2,744
Deferred tax	150	750
	845	3,494

The effective tax rate for the current financial quarter is higher than the statutory tax rate of 24% due mainly to certain expenses that are not deductible for tax purposes incurred in the current financial quarter. However, the effective tax rate for the cumulative quarter 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 18 March 2011 until 17 March 2016.

B7. Status of Corporate Proposals

There was no corporate proposal announced but not completed as at the date of this report. The corporate proposals announced and completed during the financial year are as follows:

a) Bonus Issue

The Company had on 10 January 2017 increased its issued and paid-up share capital from RM90,000,000 to RM107,999,999 by way of a bonus issue of 35,999,998 new ordinary shares of RM0.50 each credited as fully paid-up on the basis of 1 bonus share for every 5 existing ordinary shares held. The bonus issue was completed on 11 January 2017 following the listing of and quotation for the bonus shares on the Main Market of Bursa Securities on 11 January 2017.

b) Acquisition of a Subsidiary

The Company had on 24 March 2017 acquired 5,001 ordinary shares, equivalent to 50.01% equity interest in Yiwugou Ecommerce Sdn Bhd for a total cash consideration of RM500,000. The acquisition was completed on 30 March 2017.

B8. Utilisation of IPO Proceeds

The proceeds of approximately RM26.45 million from the IPO have been fully utilised since quarter ended 31 December 2016.

Interim Financial Report for the Period Ended 31 March 2017

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

B9. Group Borrowings

The Group's borrowings as at 31 March 2017 are as follows:

	Unaudited As At 31 Mar 2017 RM'000	Audited As at 31 Dec 2015 RM'000
<u>Long term borrowings</u>		
<i>Secured:</i>		
Term loans	58,634	33,811
Hire purchase	448	61
	<u>59,082</u>	<u>33,872</u>
<u>Short term borrowings</u>		
<i>Secured:</i>		
Term loans	8,803	5,133
Hire purchase	25	171
Banker acceptance	2,715	-
	<u>11,543</u>	<u>5,304</u>
Total borrowings	<u>70,625</u>	<u>39,176</u>

B10. 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.

B11. Dividends

No dividend was declared for the financial quarter under review.

An interim dividend of 1.50 sen per share amounting to RM2,700,000 in respect of the financial year ended 31 December 2015 was paid on 28 March 2016.

Total dividend paid for the current year to-date was RM2,700,000.

B12. Realised and Unrealised Profits

The disclosure of realised and unrealised profits below is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities.

	Unaudited As At 31 Mar 2017 RM'000	Audited As at 31 Dec 2015 RM'000
Total retained earnings		
- realised	75,245	77,409
- unrealised	5,266	4,516
	<u>80,511</u>	<u>81,925</u>

Interim Financial Report for the Period Ended 31 March 2017

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

B13. 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 Current Period Quarter RM'000	Cumulative Quarter Current Period To Date RM'000
Profit for the period attributable to owners of the Company	<u>1,971</u>	<u>12,834</u>
Weighted average number of ordinary shares of RM0.50 each in issued ('000)	<u>216,000</u>	<u>216,000*</u>
Basic earnings per share (sen)	<u>0.91</u>	<u>5.94</u>

Note:

*The number of ordinary shares presented in the cumulative quarter reflects the adjustment arising from the Bonus Issue which was completed on 11 January 2017 as if the event had occurred on 1 January 2016.

(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.