

XIN HWA HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No: 1032102-P

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 MARCH 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 31 March 2018

(The figures have not been audited)

	Notes	Individual Quarter Current Quarter 31 Mar 2018 RM'000	Cumulative Quarter Current Period To Date 31 Mar 2018 RM'000
REVENUE		27,787	109,068
COST OF SALES		(18,275)	(71,656)
GROSS PROFIT		9,512	37,412
OTHER OPERATING INCOME		1,337	1,675
SELLING AND DISTRIBUTION EXPENSES		10,849	39,087
		(474)	(1,182)
ADMINISTRATIVE EXPENSES		(9,768)	(24,385)
FINANCE COSTS		(892)	(3,600)
(LOSS)/PROFIT BEFORE TAXATION	B5	(285)	9,920
TAXATION	B6	1,167	106
PROFIT AFTER TAXATION		882	10,026
OTHER COMPREHENSIVE INCOME, NET OF TAX		-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		882	10,026
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-			
- Owners of the Company		1,117	10,382
- Non-controlling interests		(235)	(356)
		882	10,026
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-			
- Owners of the Company		1,117	10,382
- Non-controlling interests		(235)	(356)
		882	10,026
Earnings per share (sen) attributable to Owners of the Company:-			
- Basic	B11	0.52	4.81

Notes:

- 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 period ended 31 March 2017 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 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 last audited financial statements were for a 15-month period from 1 January 2016 to 31 March 2017.

Unaudited Condensed Consolidated Statement of Financial Position as at 31 March 2018

	Notes	Unaudited As At 31 Mar 2018 RM'000	Audited As at 31 Mar 2017 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		197,039	185,244
Goodwill		497	497
Development costs		180	292
		<u>197,716</u>	<u>186,033</u>
CURRENT ASSETS			
Inventories		2,781	1,269
Trade receivables		28,296	26,727
Other receivables, deposits and prepayments		7,943	4,308
Short-term investment		-	1,617
Current tax assets		3,956	2,383
Fixed deposits with licensed banks		24	24
Cash and bank balances		6,764	9,688
		<u>49,764</u>	<u>46,016</u>
TOTAL ASSETS		<u>247,480</u>	<u>232,049</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital		108,000	108,000
Reserves		37,375	28,760
ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>145,375</u>	<u>136,760</u>
NON-CONTROLLING INTERESTS		161	517
TOTAL EQUITY		<u>145,536</u>	<u>137,277</u>
NON-CURRENT LIABILITIES			
Long term borrowings	B8	63,632	59,221
Deferred tax liabilities		6,645	7,837
		<u>70,277</u>	<u>67,058</u>
CURRENT LIABILITIES			
Trade payables		8,589	5,406
Other payables and accruals		5,649	7,632
Amount owing to directors		500	-
Short term borrowings	B8	15,138	11,404
Bank overdraft		1,728	3,178
Current tax liabilities		63	94
		<u>31,667</u>	<u>27,714</u>
TOTAL LIABILITIES		<u>101,944</u>	<u>94,772</u>
TOTAL EQUITY AND LIABILITIES		<u>247,480</u>	<u>232,049</u>
Net assets per share attributable to ordinary equity holders of the parent (RM) ⁽¹⁾		<u>0.67</u>	<u>0.63</u>

Notes:

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited consolidated financial statements for the financial period ended 31 March 2017 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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Unaudited Condensed Consolidated Statement of Changes in Equity for the Period Ended 31 March 2018

	Attributable to equity holders of the Company							Non-controlling Interests RM'000	Total Equity RM'000
	Non-Distributable		Distributable			Total			
	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			
As at 1 April 2017	108,000	(68,979)	17,359	(1)	80,381	136,760	517	137,277	
Total comprehensive income for the period	-	-	-	-	10,382	10,382	(356)	10,026	
Foreign currency translation reserve	-	-	-	4	-	4	-	4	
Reverse revaluation reserve	-	-	(1,171)	-	1,560	389	-	389	
Dividend paid	-	-	-	-	(2,160)	(2,160)	-	(2,160)	
As at 31 March 2018	108,000	(68,979)	16,188	3	90,163	145,375	161	145,536	

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 period ended 31 March 2017 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 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 last audited financial statements were for a 15-month period from 1 January 2016 to 31 March 2017.

Unaudited Condensed Consolidated Statement of Cash Flows for the Period Ended 31 March 2018

	31 Mar 2018
	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	9,920
Adjustments for:-	
Depreciation of property, plant and equipment	8,210
Property, plant and equipment written off	468
Gain on disposal of property, plant and equipment	(724)
Interest expense	3,438
Interest income	(21)
Reversal of impairment on trade receivables	(550)
Operating profit before working capital changes	20,741
Increase in inventories	(1,512)
Increase in trade and other receivables	(4,654)
Increase in trade and other payables	1,201
CASH FROM OPERATIONS	15,776
Income tax paid	(2,300)
NET CASH FROM OPERATING ACTIVITIES	13,476
CASH FLOWS FOR INVESTING ACTIVITIES	
Interest received	21
Purchase of property, plant and equipment	(8,607)
Proceeds from disposal of property, plant and equipment	4,222
Proceeds from disposal of short-term investment	1,617
NET CASH FOR INVESTING ACTIVITIES	(2,747)
CASH FLOWS FOR FINANCING ACTIVITIES	
Interest paid	(3,438)
Net drawdown of bankers' acceptance	1,802
Advances from directors	500
Dividend paid	(2,160)
Repayment of hire purchase payables	(211)
Repayment of term loans	(8,696)
NET CASH FOR FINANCING ACTIVITIES	(12,203)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,474)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	6,518
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	5,044

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Unaudited Condensed Consolidated Statement of Cash Flows for the Period Ended 31 March 2018

31 Mar 2018
RM'000

CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD COMPRISE:-

- Deposit with financial institutions	24
- Cash and bank balances	6,764
- Bank overdraft	(1,728)
	<hr/>
	5,060
Less: Fixed deposits pledged with licensed banks	(16)
	<hr/>
	5,044
	<hr/>

Notes:

1. *The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited consolidated financial statements for the financial period ended 31 March 2017 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 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 last audited financial statements were for a 15-month period from 1 January 2016 to 31 March 2017.*

Interim Financial Report for the Period Ended 31 March 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 period ended 31 March 2017 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 period ended 31 March 2017.

A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those adopted as disclosed in the financial statements for the period ended 31 March 2017 except for the adoption of the following :-

MFRSs and/or IC Interpretations (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
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
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 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
Annual Improvements to MFRS Standards 2015 – 2017 Cycles:	1 January 2018

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.

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Interim Financial Report for the Period Ended 31 March 2018

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 period ended 31 March 2017.

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.

A8. Dividend Paid

An interim dividend of 1.00 sen per share amounting to RM2,160,000 in respect of the financial year ended 31 March 2018 was paid on 28 July 2017.

Interim Financial Report for the Period Ended 31 March 2018

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 2018 RM'000	Cumulative Quarter Current Period To Date 31 Mar 2018 RM'000
<u>Revenue</u>		
Land transport operations	25,905	100,148
Warehousing and distribution operations	1,779	8,411
Other services	103	509
Total	<u>27,787</u>	<u>109,068</u>
<u>Profit before tax</u>		
Land transport operations	(248)	7,668
Warehousing and distribution operations	(43)	2,204
Other services	6	48
Total	<u>(285)</u>	<u>9,920</u>

Geographical area

	Individual Quarter Current Period Quarter 31 Mar 2018 RM'000	Cumulative Quarter Current Period To Date 31 Mar 2018 RM'000
<u>Revenue</u>		
Malaysia	25,796	101,350
Singapore	1,991	7,718
Total	<u>27,787</u>	<u>109,068</u>

Interim Financial Report for the Period Ended 31 March 2018

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 2018 are as follows:-

	RM'000
Approved and contracted for:	
- Property, plant and equipment	12,395

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 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.

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	66,638

Interim Financial Report for the Period Ended 31 March 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 31 March 2018, the Group recorded a revenue of approximately RM27.79 million and loss before tax (“LBT”) of approximately RM0.28 million. The revenue was mainly derived from land transport operations which accounted for approximately 93.23% of the Group’s total revenue and 87.01 % of the Group’s total LBT. The Group’s revenue from land transport operations comprises cargo transportation services and container haulage services.

For the 3-month period ended 31 March 2018, cargo transportation services accounted for approximately 57.62% of the Group’s total revenue and approximately 48.33% of the Group’s total LBT whilst container haulage services accounted for approximately 35.61% of the Group’s total revenue and approximately 38.68% of the Group’s total LBT.

Warehousing and distribution operations accounted for approximately 6.40% of the Group’s total revenue and 15.14% of the Group’s total LBT for the 3-month period ended 31 March 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 0.36% of the Group’s total revenue and marginally reduced the Group’s total LBT by 2.46% for the 3-month period ended 31 March 2018.

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

	3 Months Ended		Deviation	
	31 Dec 2017	31 Mar 2018	Amount	
	RM’000	RM’000	RM’000	%
Revenue	27,801	27,787	(14)	(0.05)
Profit After Tax	3,238	882	(2,356)	(72.76)

The Group’s revenue decreased by 0.05% from approximately RM27.80 million recorded in the immediate preceding financial quarter to approximately RM27.79 million in the current financial quarter. Profit after tax of the Group decreased by 72.76% from approximately RM3.24 million in the previous financial quarter to approximately RM0.88 million in the current financial quarter. The decreased in profit after tax as compared to the preceding quarter was mainly due to the provision of impairment of doubtful debts amounting to approximately RM1.1million, bonus payout of approximately RM0.7 million and losses transactions in the e-commerce services of approximately RM 0.4 million recognised by the Group.

Interim Financial Report for the Period Ended 31 March 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 Current Period Quarter 31 Mar 2018 RM'000	Cumulative Quarter Current Period To Date 31 Mar 2018 RM'000
Depreciation of property, plant and equipment	2,229	8,210
Loss on foreign exchange	31	16
Property, plant and equipment written off	468	468
Provision/ (Reversal) of Impairment loss	1,054	(550)
Interest expense	839	3,438
Interest income	12	(21)
Gain on disposal of property, plant and equipment	-	(724)

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 2018

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 2018 RM'000	Cumulative Quarter Current Period To Date 31 Mar 2018 RM'000
<u>Income Tax</u>		
Current tax (asset) / expense	(282)	479
Deferred tax	(885)	(585)
	<u>(1,167)</u>	<u>(106)</u>

The effective tax rate for the financial year-to-date is lower than the statutory tax rate of 24% due mainly to unabsorbed investment tax allowances utilised in the current financial quarter.

The current tax asset for the current financial quarter was due mainly to the reversal of overprovision of tax for the previous 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 31 March 2018 are as follows:

	Unaudited As At 31 Mar 2018 RM'000	Audited As at 31 Mar 2017 RM'000
<u>Long term borrowings</u>		
<i>Secured:</i>		
Term loans	63,167	58,888
Hire purchase	465	333
	<u>63,632</u>	<u>59,221</u>
 <u>Short term borrowings</u>		
<i>Secured:</i>		
Term loans	10,344	8,550
Hire purchase	277	139
Banker acceptance	4,517	2,715
	<u>15,138</u>	<u>11,404</u>
 Total borrowings	<u>78,770</u>	<u>70,625</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.

Interim Financial Report for the Period Ended 31 March 2018

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

B10. Dividends

No dividend was declared for the financial quarter under review.

An interim dividend of 1.00 sen per share amounting to RM2,160,000 in respect of the financial year ended 31 March 2018 was paid on 28 July 2017.

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 Current Period Quarter 31 Mar 2018 RM'000	Cumulative Quarter Current Period To Date 31 Mar 2018 RM'000
Profit for the period attributable to owners of the Company	1,117	10,382
Weighted average number of ordinary shares in issue ('000)	<u>216,000</u>	<u>216,000</u>
Basic earnings per share (sen)	<u>0.52</u>	<u>4.81</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.