7. BUSINESS OVERVIEW

7.1 OUR HISTORY

Our Company was incorporated in Malaysia under the Companies Act 1965 on 25 October 1994 as a private limited company under the name of Sin-Kung Logistics Sdn Bhd and was converted to a public limited company under the name of Sin-Kung Logistics Berhad on 1 August 2022.

The history of our Group can be traced back to the incorporation of Sin-Kung Logistics Sdn Bhd by our late founders, namely Ong Leng Jin, Tuan Haji Azizuddin bin Haji Md. Taib and Mohamed Ariff bin Mohamed Ariffin.

The table below sets out the key events and milestones in the history and development of our Group and business operations:

Year	Key events and milestones
1994	• With the establishment of Sin-Kung Logistics Sdn Bhd by our late founders, we set up our first office in Diamond Valley Industrial Park, Batu Maung, Penang ("**Penang Island Office**") to provide domestic trucking services primarily in point-to-point trucking services covering service routes within Peninsular Malaysia.
1995	• We set up our first warehouse in Diamond Valley Industrial Park, Batu Maung, Penang ("**Penang Island Warehouse**") to expand into the provision of warehousing and distribution services in the northern region of Peninsular Malaysia. • In efforts to grow our trucking business beyond domestic service routes in Peninsular Malaysia, we expanded our service route coverage by providing cross-border point-to-point trucking services between Peninsular Malaysia and Singapore.
1996	• We set up an office in Cheras, Kuala Lumpur to establish our physical presence in the central region of Peninsular Malaysia.
1998	• We relocated our central region office from Cheras, Kuala Lumpur to Petaling Jaya, Selangor.
2000	• We ventured into the provision of domestic and cross-border airport-to-airport road feeder services as an expansion of our trucking services, transporting shipment of loose cargo and ULDs within Peninsular Malaysia as well as between Peninsular Malaysia and Singapore.
2001	• We obtained our first ISO 9001:2000 (now known as ISO 9001:2015) certification from Lloyd's Register Quality Assurance.
2002	• We ventured into the provision of licensed brokerage and forwarding services.
2003	• Our Managing Director, Alan Ong Lay Wooi, who was identified as the successor to his late father, Ong Leng Jin, became a shareholder of Sin-Kung Logistics Sdn Bhd and was also appointed as our Group's Director.

Year	Key events and milestones
2004	• We commenced the construction of an office building ("**Shah Alam Office 1**") and Shah Alam Workshop. The Shah Alam Office 1 is referring to the double-storey office which is part of the Shah Alam Workshop.
2005	• We commenced the construction of another office building ("**Shah Alam Office 2**") together with our Shah Alam Warehouse. The Shah Alam Office 2 and Shah Alam Warehouse are collectively known as Shah Alam Office and Warehouse. • Upon the completion of the construction of Shah Alam Office 1 and Shah Alam Workshop, we relocated our central region office from Petaling Jaya, Selangor to Shah Alam Office 1 and Shah Alam Workshop in December 2005 whereby the office building is used as our Group's headquarters while the workshop is used to carry out maintenance and repair works as well as vehicle painting for our fleet of commercial vehicles.
2006	• The construction of Shah Alam Warehouse was completed. • We expanded our service offerings to provide cargo escort services as a complementary service to our trucking services to our customers.
2007	• With the establishment and commencement of operations of our Shah Alam Warehouse, we expanded our warehousing and distribution services to the central region of Peninsular Malaysia.
2008	• We set up the Johor Office as our branch office to establish our physical presence in Johor. • The construction of Shah Alam Office 2 was completed and we re-designated Shah Alam Office 2 as our Group's headquarters.
2009	• We ventured into the provision of container haulage services, transporting customers' containers between customers' premises and Port Klang, Selangor.
2012	• We set up the KLIA Sepang Office as our branch office to establish our physical presence in KLIA and to better access the airport.
2016	• We expanded our service route coverage for the provision of cross-border airport-to-airport road feeder services to Thailand. • Sin-Kung Logistics Sdn Bhd was granted the IILS status by MIDA.
2017	• As part of vertical expansion of our business, we ventured into the provision of express delivery services, marking our entry into last mile logistics services.

Year	Key events and milestones
2019	• We obtained GDPMD certification from TÜV SÜD (Malaysia) Sdn Bhd. • We acquired the Bukit Mertajam Office and Warehouse as part of our business expansion in the northern region of Peninsular Malaysia.
2021	• We set up the Penang International Airport Office as our branch office.
2022	• We ceased operations at our Penang Island Office and Penang Island Warehouse upon the expiration of its tenancy in March 2022. • We commenced operations at our Bukit Mertajam Office and Warehouse. • We commenced operations at our Butterworth Warehouse. • We also commenced operations at the Bukit Minyak Office and Warehouse in December 2022.
2023	• We acquired the Port Klang Office and Warehouse as part of our business expansion in the central region of Peninsular Malaysia and commenced operations in November 2023. • We were granted the AEO status by RMCD.

The awards that we have received include the following:

Year	Award	Awarding body
2014	Land Public Transportation Symposium Award 2014 - Best Operator for Freight Category A[(1)]	SPAD
2015	SPAD Land Public Transport Symposium 2015 - Pengendali Kenderaan Barangan (A)[(1)] (Kepujian Merit)	SPAD
2016	SPAD Land Public Transport Symposium 2016 - Best Safety Practices	SPAD
2017	Top Achievement Award 2017	EVA Airways Corporation
2018	2018 Service Provider of the Year for Distribution Warehouse in recognition of excellence in Operational Performance, Security, Technology, Customer Service, Continuous Improvement	Customer C[(2)]
2020	2020 Service Provider of the Year in recognition of Continuous Improvement, Customer Service, Operations, Technology, Security	Customer C[(2)]

Year	Award	Awarding body
2021	2021 Service Provider of the Year in recognition of excellence in Technology & Capabilities, Continuous Improvement, Operational Performance, Security & Compliance, Customer Service, Operation	Customer C[(2)]
2021	Service Provider of the Year – Distribution Warehouse	Customer C[(2)]
2021	Service Provider of the Year – Local Pickup & Delivery	Customer C[(2)]
2022	2022 Service Provider of the Year for Distribution Warehouse in recognition of excellence in Relationship & Communication, Operational Excellence, Compliance, Security & Risk, Technology & Capabilities, Innovation, Improvement & Investment, Environment & Sustainability, Pricing & Terms	Customer C[(2)]
2022	2022 Service Provider of the Year for Local Pickup & Delivery in recognition of excellence in Relationship & Communication, Operational Excellence, Compliance, Security & Risk, Technology & Capabilities, Innovation, Improvement & Investment, Environment & Sustainability, Pricing & Terms	Customer C[(2)]
2023	2023 Service Provider of the Year for Distribution Warehouse in recognition of excellence in Relationship & Communication, Operational Excellence, Compliance, Security & Risk, Technology & Capabilities, Innovation, Improvement & Investment, Environment & Sustainability, Pricing & Terms	Customer C[(2)]
2024	Anugerah Gudang Berlesen Inovatif Tahun 2023 – Rakan Kongsi Pintar RMCD Pulau Pinang	RMCD Pulau Pinang

Notes:

(1) Freight Category A and Kenderaan Barangan (A) refer to vehicles which carry goods for hire or reward or in connection with any trade or business being carried out.

(2) Customer C is a company based in Malaysia which is a subsidiary of an American corporation listed on the New York Stock Exchange. The group is principally in the provision of global logistics services such as customs brokerage, order management, time-definite transportation, warehousing and distribution, temperature-controlled transit, cargo insurance, specialised cargo monitoring and tracking, and other customised logistics and consulting solutions. We are unable to disclose the identity of Customer C by virtue of the confidentiality clause(s) stated in the agreement(s) executed with Customer C.

7.2 DESCRIPTION OF OUR BUSINESS

7.2.1 Business activities

We are an integrated logistics service provider principally involved in the provision of trucking services with a focus on airport-to-airport road feeder services. Additionally, we also provide container haulage services, warehousing and distribution services and other logistics-related services to our customers.

The details of each of our business activities are described in the following sections:

7.2.1.1 Provision of trucking services

Our trucking services entail domestic and cross-border road transportation of domestic, import and export cargo between two locations using our own fleet of commercial vehicles. Our domestic trucking services cover service routes within Peninsular Malaysia whereas our cross-border trucking services cover service routes between Peninsular Malaysia, Singapore and Thailand. Further, our trucking services can be segmented into airport-to-airport road feeder services and point-to-point trucking services.

As at LPD, 302 out of the 461 commercial vehicles that we own and operate are used for the provision of our trucking services and comprise 3-ton and 8-ton box trucks, 3-ton and 8-ton refrigerated box trucks, prime movers for trucking, 40-ft, 45-ft and 55-ft box trailers, curtain sider box trailers, refrigerated box trailers and 1 unit each of box truck with tail lift, crane truck, open truck and low loader trailer. Please refer to Section 7.2.4 for further details on our fleet of commercial vehicles.

Our trucking services are provided to our customers either by entering into agreements or service contracts, or provided on an ad-hoc or seasonal basis via request on transportation or on quotation basis. As our Group is equipped with a diverse range of commercial vehicles, we are able to carry cargo of various types and sizes such as pharmaceutical products (including COVID-19 vaccines), fast-moving consumer goods, electronic products, personal protective equipment, time sensitive goods, temperature sensitive goods, hazardous or dangerous goods and other general cargo. For goods that are required to be stored under cold temperatures, we are equipped with refrigerated box trucks and refrigerated box trailers to cater for such needs. In addition, we are also equipped with commercial vehicles that are suitable for carrying large, odd-size and/or heavy equipment or machinery such as factory machines, motor vehicles, aircraft engines and helicopters to fulfil customers' project cargo needs.

In addition to transporting cargo, we also help customers in liaising with the relevant governmental and regulatory authorities to manage and handle the necessary regulatory approvals and documentations for the transportation of cargo. Further, as we provide cross-border trucking services, customs clearance are performed on behalf of our customers. Such customs clearance tasks include preparing and processing customs documentation, making customs declaration, and paying taxes and duties. Please refer to Section 7.2.1.4(a) for further details on the customs clearance process.

We offer two options for the transportation of our customers' cargo, namely:

- FTL where the entire load or capacity of a commercial vehicle is dedicated to the shipment of a single customer. Our trucking schedule for FTL is arranged based on customers' specified schedules as well as the availability of the type of commercial vehicle required for the transportation of customer's cargo at a particular specified time. Alternatively, where shipment volumes are consistent and predictable, we may arrange to have trucks on standby at airports for our customers; and

- LTL where the load or capacity of a commercial vehicle is shared among multiple customers in which the cargo of multiple customers will be transported using the same commercial vehicle going on the same route. Our trucking service schedule for LTL is fixed and determined by our Group.

Further details of the segmentation of our trucking services are as follows:

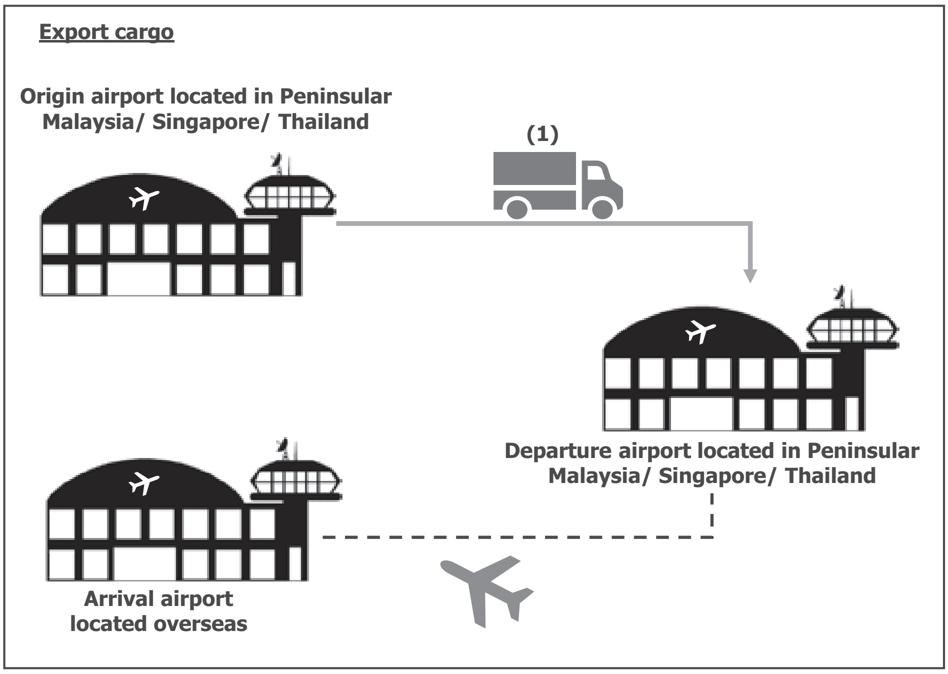
(a) Airport-to-airport road feeder services

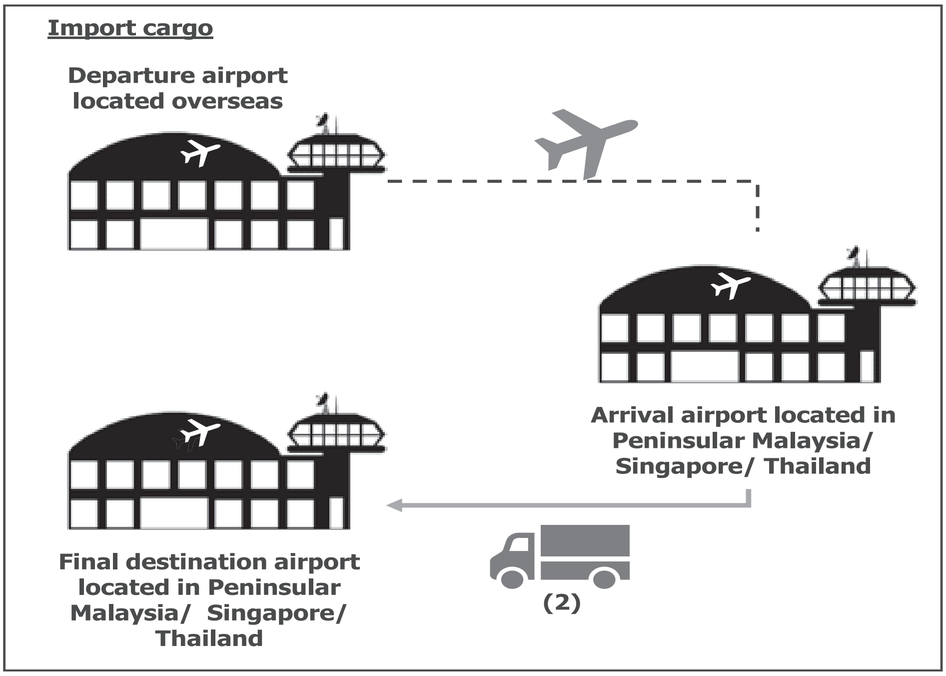
Airport-to-airport road feeder service is a road transportation service on a FTL (i.e. for customers who have a full load of cargo or require an entire capacity of a commercial vehicle) and LTL basis (i.e. for customers who do not have sufficient cargo volume to fulfil the entire load or capacity of a commercial vehicle) involving the transportation of customers' export and import cargo between two airports. It is an alternative method to transport cargo between airports, whereby the cargo is transported on land by trucks such as box trucks and refrigerated box trucks or prime movers with trailers as follows:

- For export cargo, our customers engage us to transport cargo from the origin airport (which may be located in Peninsular Malaysia, Singapore or Thailand, for example Penang International Airport) to a departure airport (which may also be located in Peninsular Malaysia or Singapore or Thailand, for example KLIA) due to no timely connections or limited cargo space on flight services from Penang International Airport to KLIA. This arrangement will be faster in comparison to waiting for the next available flight with sufficient cargo space from Penang International Airport to KLIA. Thereafter, the cargo is transported by our customers by air from the departure airport to the arrival airport located overseas. For clarity purposes, in such scenario, there are no direct flights available between the origin airport and arrival airport.

- For import cargo, the cargo is transported by our customers by air from the departure airport located overseas to an arrival airport (which may be located in Peninsular Malaysia or Singapore or Thailand, for example Singapore Changi Airport). Our customers engage us to transport cargo from the arrival airport to the final destination airport (which may also be located in Peninsular Malaysia or Singapore or Thailand, for example Subang Airport) due to no timely connections or limited cargo space on flight services from Singapore Changi Airport to Subang Airport. This arrangement will be faster in comparison to waiting for the next available flight with sufficient cargo space from Singapore Changi Airport to Subang Airport. For clarity purposes, in such scenario, there are no direct flights available between the departure airport and final destination airport.

Illustrations of our role in the provision of airport-to-airport road feeder services are as below:





Notes:

(1) Refers to the transportation of export cargo from origin airport located in Peninsular Malaysia / Singapore / Thailand to departure airport located in Peninsular Malaysia / Singapore / Thailand via our airport-to-airport road feeder services.

(2) Refers to the transportation of import cargo from arrival airport located in Peninsular Malaysia / Singapore / Thailand to final destination airport located in Peninsular Malaysia / Singapore / Thailand via our airport-to-airport road feeder services.

We provide both domestic and cross-border airport-to-airport road feeder services. Domestic airport-to-airport road feeder service involves the transportation of cargo between two airports located within Peninsular Malaysia; and cross-border airport-to-airport road feeder service involves the transportation of cargo from one airport from one country to an airport located in another country, and vice-versa. These countries include Peninsular Malaysia, Singapore and Thailand.

As at LPD, the service routes that we currently operate for our airport-to-airport road feeder services on a regular basis are as follows:

Domestic

- Subang Airport, Selangor – KLIA, Selangor and vice versa
- Penang International Airport, Penang – KLIA, Selangor and vice versa
- Penang International Airport, Penang – Subang Airport, Selangor and vice versa

Cross-border

- Penang International Airport, Malaysia – Singapore Changi Airport, Singapore and vice versa
- Subang Airport, Malaysia – Singapore Changi Airport, Singapore and vice versa
- KLIA, Malaysia – Singapore Changi Airport, Singapore and vice versa

Our airport-to-airport road feeder services for all of the service routes that we currently operate are provided on FTL basis only (where our customers have a full load of cargo or require the entire capacity of a commercial vehicle), save for the service routes from Penang International Airport to KLIA and vice versa, KLIA to Singapore Changi Airport as well as Penang International Airport to Singapore Changi Airport in which we provide both FTL and LTL options. LTL option is available to customers who do not have sufficient cargo volume to fulfil the entire load or capacity of a commercial vehicle, whereby our Group will consolidate cargo from multiple customers in a single commercial vehicle.

Nonetheless, our Group is not limited to the abovementioned service routes for the provision of our airport-to-airport road feeder services as we are able to transport cargo to service routes or airports which we do not have regular schedules or do not currently cover, in the event that we receive such requests from our customers. For instance, we are able to offer airport-to-airport road feeder services to other airports such as Langkawi International Airport and Senai International Airport in Malaysia as well as Phuket International Airport, Suvarnabhumi Airport, Don Mueang International Airport and U-Tapao-Rayong-Pattaya International Airport in Thailand for FTL on an ad-hoc basis upon request from our customers.

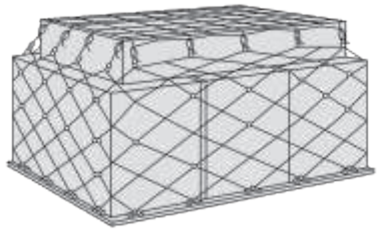
For our airport-to-airport road feeder services within Peninsular Malaysia and between Peninsular Malaysia and Singapore, we carry our customers' cargo directly from, and to, the respective airports of the countries using our commercial vehicles such as box trucks, refrigerated box trucks and prime movers with trailers. Some of our commercial vehicles have ASEAN Goods Vehicle Permit which allow us to provide trucking services covering routes between Peninsular Malaysia and Singapore. Please refer to Section 7.2.4 for further details on the commercial vehicles with ASEAN Goods Vehicle Permit.

However, for transportation to airports in Thailand, as our prime movers do not have the relevant permit from Thailand's Department of Land Transport to enter Thailand, we will haul our trailers (i.e. which have the relevant permit from Thailand's Department of Land Transport) using our prime movers to Bukit Kayu Hitam, Kedah Checkpoint at the Malaysia-Thailand border, and subsequently cut-off and move the trailer to our third party logistics service provider's prime mover in Thailand to be transported to the specified airport in Thailand on behalf of our Group. The customs clearance process for our customers' shipments in Bukit Kayu Hitam, Kedah Checkpoint is managed by our in-house freight forwarding team. Once the trailer has been passed to our third party logistics service provider in Thailand, we will keep track of our third party logistics service provider's prime mover's location through its GPS system to ensure the fulfilment of shipment. As at LPD, there has not been any incidence of non-fulfilment of shipment by our third party logistics service provider in Thailand. For avoidance of doubt, our Group opted not to offer cross-border point-to-point trucking services to/from Thailand at this juncture. This was mainly because the market in Thailand is relatively competitive and such services require localised experience and expertise.

The customers for our airport-to-airport road feeder services comprise cargo airlines, passenger airlines and general sales agents of airlines (i.e. companies that are appointed by airlines to handle cargo sales and logistics for the airlines). As at LPD, we have entered into agreements with 23 cargo and/or passenger airlines and general sales agent of airlines to outline the general terms of engagement with the airline / general sales agent of airlines, some of which may include standard rates and charges. For avoidance of doubt, each shipment with the customer is still subject to a quotation. We are also engaged by cargo and/or passenger airlines and general sales agents of airlines on an ad-hoc or seasonal basis via request on transportation or on quotation basis.

In addition to the types of cargo that our fleet of commercial vehicles can carry as previously mentioned, we also carry our customers' ULDs for the provision of our airport-to-airport road feeder services. ULDs are special containers or pallets which come in various sizes and are used in air cargo for storing baggage and cargo which will be loaded into the aircraft. Depending on the nature of cargo to be stored, the ULDs may also have built-in refrigeration units. Additionally, the ULDs are generally owned by cargo airlines and passenger airlines. We can carry all types and sizes of ULDs which can be accommodated in our trucks or trailers that are equipped with rollers in compliance with the requirements of the relevant authorities in Malaysia, Singapore and Thailand, and are manufactured as per the International Air Transport Association's standards and specifications.

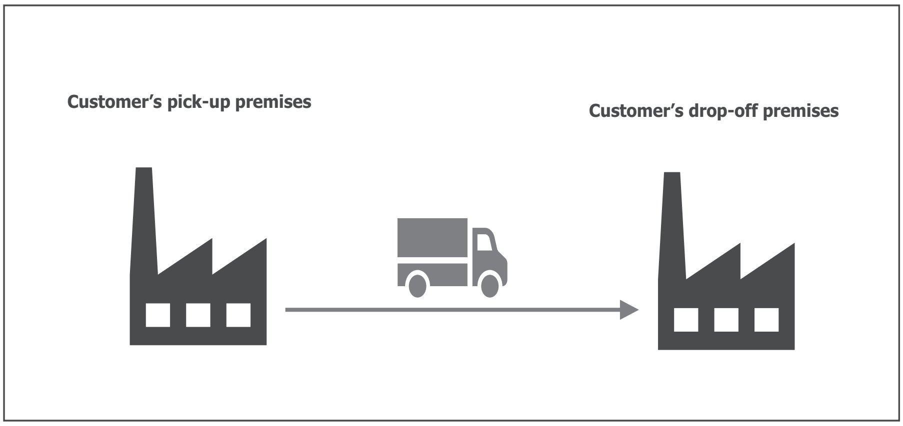
Sample pictures of the ULDs are as follows:



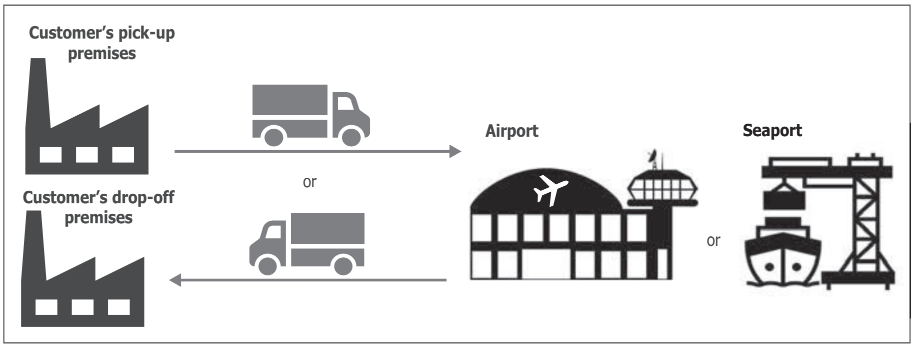
(b) Point-to-point trucking services

We provide point-to-point trucking services on a FTL and LTL basis to customers who require transportation services for their domestic, import and/or export cargo from one or multiple designated pick-up point(s) to one or multiple designated drop-off point(s). The pick-up and drop-off points include the customer's pick-up or drop-off premises (e.g. warehouses, factories or shopping malls), our Group's warehouses, airports and seaports. The illustrations of routes for our point-to-point trucking services that we provide are as follows:

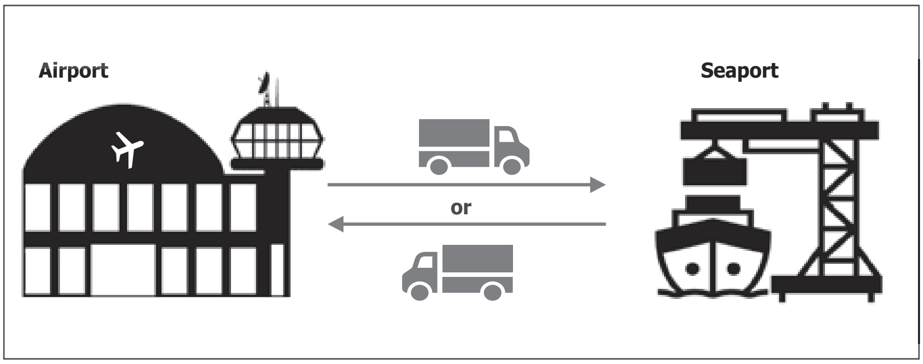
- Between one or multiple customer's pick-up premises and one or multiple customer's drop-off premises;



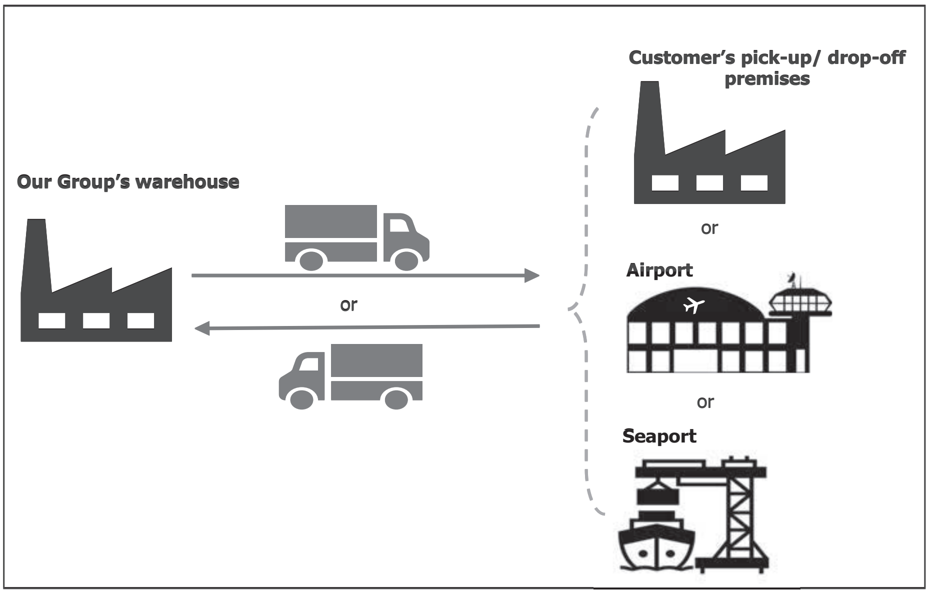
- Between one or multiple customer's pick-up/drop-off premises and airport(s) or seaport(s);



- Between one or multiple airport(s) and seaport(s); and



- Between one or multiple of our Group's warehouse(s) and one or multiple customer's pick-up / drop-off premises, airport(s) or seaport(s) to support our warehousing and distribution services. Please refer to Section 7.2.1.3 for further details on our warehousing and distribution services.



We provide both domestic and cross-border point-to-point trucking services. Our domestic point-to-point trucking services are provided domestically within Peninsular Malaysia whereas our cross-border point-to-point trucking services are provided between Peninsular Malaysia and Singapore.

As at LPD, airports and seaports that we cover for the provision of our point-to-point trucking services are listed as follows:

Airport

- KLIA, Selangor
- Subang Airport, Selangor
- Penang International Airport, Penang
- Senai International Airport, Johor
- Singapore Changi Airport, Singapore

Seaport

- Port Klang, Selangor
- Penang Port, Penang
- Pasir Gudang Port, Johor
- Port Tanjung Pelepas, Johor

The customers for our point-to-point trucking services comprise local and international freight forwarders, and cargo owners who are also known as "shippers" or "consignees" such as manufacturers, wholesalers and traders. The customers for our point-to-point trucking services may also include shippers whom we also provide warehousing and distribution services to, as part of our complementary service offerings.

Please refer to Section 7.3.1 for further details on the process flow of our trucking services.

7.2.1.2 Provision of container haulage services

Our container haulage services refer to the services of transporting containers between Port Klang, Selangor (i.e. Northport and Westport) and the customer's specified location (e.g. warehouse, distribution centre and factory) in Peninsular Malaysia or our Group's warehouse. We provide inbound and outbound container movements where inbound container movement involves the delivery of laden containers from Port Klang, Selangor to our customer's specified location or our Group's warehouse; while outbound container movement involves the delivery of laden containers from our customer's specified location or our Group's warehouse to Port Klang, Selangor. Please refer to Section 7.3.2 for further details on the process flow of our container haulage services.

As at LPD, 145 out of the 461 commercial vehicles that we own and operate are for the provision of our container haulage services comprising 20 prime movers in which 8 of them are equipped with generator sets to cater for the transportation of refrigerated cargo, 124 container trailers (i.e. 20-ft and 40-ft container trailers) and 1 sidelifter. Please refer to Section 7.2.4 for further details on our fleet of commercial vehicles.

Our container haulage services are generally provided to local and international freight forwarders.

7.2.1.3 Provision of warehousing and distribution services

We provide warehousing and distribution services to support our customers in terms of storage and distribution needs. Our customers for our warehousing and distribution services mainly comprise manufacturers, wholesalers, traders, and local and international freight forwarders.

We offer storage services and handling services (i.e. loading and unloading of goods into/ from commercial vehicles) for bonded and non-bonded goods, which include pharmaceutical products, personal protective equipment, electrical and electronic products, large, odd-size and/or heavy equipment or machinery, other general cargo and bulk cargo. The bonded and non-bonded goods may either be stored under ambient temperature or temperature-controlled environment (i.e. cold room facilities comprising chilled, freezer and/or air-conditioned room). Bonded goods have a maximum storage period of 2 years while non-bonded goods do not have a maximum storage period.

Further, we offer pick-and-pack services to our customers who need to store large quantities of bulk cargo in our warehouses, and upon request, have the bulk cargo segregated into smaller packages and repacked for distribution to locations specified by our customer or individually to end-consumers.

The distribution of goods will be carried out by our Group or by third party transporters appointed by our customers. Our distribution services are provided through our point-to-point trucking services in which we will help customers to distribute goods within Peninsular Malaysia and/or from Peninsular Malaysia to Singapore.

With the capability of providing warehousing and distribution services, we are able to support our customers in their supply chain management on a JIT basis. JIT is an inventory management strategy that aligns raw materials, work-in-progress goods and final product deliveries on an as-needed basis. JIT inventory management is a practice adopted by many industry players such as e-commerce merchants, online retailers and chain-store retailers, to lower their inventory carrying costs as they are able to outsource their inventory warehousing to third party warehousing service providers.

As at LPD, we operate 5 warehouses located in Selangor (2 warehouses) and Penang (3 warehouses), where all our warehouses (save for our Port Klang Warehouse) are customs-licensed public bonded warehouses with areas segregated to cater for bonded and/or non-bonded goods operations. The bonded areas of our warehouses are secured areas licensed by the RMCD where we can store and manage dutiable goods on which the customs duties and taxes have not been paid. On the other hand, the non-bonded areas of our warehouses are used to store and manage non-dutiable goods and dutiable goods on which the customs duties and taxes have been paid.

The bonded and non-bonded areas of our respective warehouses are set out in the floor plans of our warehouses which are submitted to and approved by the RMCD. Further, we have implemented delineation through the installation of fences to segregate the bonded and non-bonded areas of our warehouses. As at LPD, our 5 warehouses have a total bonded area of 97,242.7 sq ft and non-bonded area of 75,305.3 sq ft.

The breakdown of the bonded and non-bonded areas of our 5 warehouses are as follows:

Warehouse	**Location**	**Bonded area (sq ft)**	**Non-bonded area (sq ft)**	**Total bonded and non-bonded area (sq ft)**
Shah Alam Warehouse[(1)]	Lot 1928, Jalan Bukit Kemuning, 40460 Shah Alam, Selangor	17,856.4	31,468.1	49,324.5
Bukit Mertajam Warehouse[(1)]	No.1498, Jalan Bukit Tengah, Kawasan Perusahaan Bukit Tengah, 14000 Bukit Mertajam, Penang	49,275.1	3,612.5	52,887.6
Butterworth Warehouse[(2)]	HSC Complex 1, Jalan Permatang Pauh, 13400 Butterworth, Penang ("**HSC Complex**")	6,000.0	N/A[(3)]	6,000.0
Bukit Minyak Warehouse[(4)]	Lot 7720, Mukim 14, Lorong IKS Bukit Minyak 2, Taman IKS Bukit Minyak, 14000 Bukit Mertajam, Penang	24,111.2	N/A[(3)]	24,111.2
Port Klang Warehouse[(5)]	Lot 183096, Jalan Sungai Chandong 22/KS11, Taman Perindustrian Pulau Indah Fasa 3A, 42920 Pelabuhan Klang, Selangor	N/A[(3)]	40,224.7	40,224.7

Notes:

(1) Warehouse is owned and operated by our Group. Please refer to Section 6.6 for further details of our GBA licence. As our Group intends to maximise the storage space for non-bonded goods in our Shah Alam Warehouse, we have revised our bonded area from 36,993.6 sq ft previously to 17,856.4 sq ft and our non-bonded area from 12,330.9 sq ft previously to 31,468.1 sq ft. The revision of the size of our Shah Alam Warehouse's bonded and non-bonded areas requires approval from RMCD for which we have received on 6 July 2023.

(2) Warehouse is rented and operated by our Group where the GBA licence in respect of the entire HSC Complex is issued to Hesechan Duty-Free Warehouse Sdn Bhd, the main operator of HSC Complex.

(3) Not applicable.

(4) Warehouse is rented and operated by our Group. Please refer to Section 6.6 for further details of our GBA licence.

(5) Warehouse is owned and operated by our Group where GBA licence is not required. For avoidance of doubt, it is our Group's intention to relocate and operate in full capacity at Port Klang Warehouse in the event of the expiry of the 3-year term of the TBP for Shah Alam Warehouse and further extension is not granted by the relevant authorities prior to the issuance of the CCC. In this event, our Group will apply for the GBA issued to Shah Alam Warehouse to be transferred to the Port Klang Warehouse.

7.2.1.4 Provision of other logistics-related services

We also provide other logistics-related services including licensed brokerage and forwarding services, express delivery services as well as cargo escort services which are detailed as follows:

(a) Licensed brokerage and forwarding services

We provide licensed brokerage and forwarding services where we assist in arranging the end-to-end shipment of cargo on behalf of our customers from one location to another location. Our licensed brokerage and forwarding services include sea, air and land freight forwarding as well as project logistics services. We act as a single point of contact for our customers and are responsible for liaising with the relevant parties involved for the shipment of our customers' cargo, which include customs and port authorities, and third-party logistics service providers.

Further, we are responsible for all aspects of the cargo shipment from picking up the cargo from the point of origin, arranging insurance coverage for the cargo (if required), arranging shipment by sea, air and/or land, arranging for customs clearance at the exporting and destination countries and delivering the cargo to the final destination.

As a licensed brokerage and forwarding service provider, we arrange for the shipment of our customers' cargo using a combination of our in-house trucking services or container haulage services together with other mode of transportation (i.e. sea or air transportation) provided by third-party logistics service providers. As at LPD, we have a freight forwarding team who manages our customers' customs clearance process for customers' shipment at airports namely KLIA and Subang Airport in Selangor, Senai International Airport in Johor and Penang International Airport in Penang, at our Group's warehouses namely our Shah Alam Warehouse in Selangor and Bukit Mertajam Warehouse, Butterworth Warehouse and Bukit Minyak Warehouse in Penang, as well as at locations such as Tanjung Kupang, Johor Checkpoint, Port Klang (i.e. Northport or Westport) and Bukit Kayu Hitam, Kedah Checkpoint. However, customs clearance process for cross-border shipments in locations such as Singapore and Thailand in which our freight forwarding team does not manage, the customs clearance process for these locations will be outsourced to our third party logistics service providers. For the FYE 2020, 2021, 2022 and 2023, the cost of outsourcing the customs clearance process in Singapore to third party logistics service providers were approximately RM0.8 million, RM0.8 million, RM0.4 million and RM0.4 million respectively.

Further, as we outsource our customs clearance process and trucking activities between Batu Kayu Hitam, Kedah Checkpoint and airports in Thailand to our third party logistics service provider in Thailand in FYE 2021, 2022 and 2023, the cost of outsourcing these processes to our third party logistics service provider in Thailand were approximately RM0.1 million, RM0.1 million and RM0.1 million in the respective years. For FYE 2020, we did not have any transactions with our third party logistics service provider in Thailand.

Our licensed brokerage and forwarding services are provided to complement our trucking services, container haulage services, as well as warehousing and distribution services for our bonded goods. Our customers for our licensed brokerage and forwarding services includes cargo airlines, passenger airlines, general sales agents of airlines, manufacturers, local freight forwarders, international freight forwarders, online retailers, chain-store retailers, wholesalers and traders (including importers and exporters).

(b) Express delivery services

We also provide express delivery services whereby we offer last mile delivery of documents and parcels to intended recipients in Malaysia as well as internationally. Our express delivery services within the Klang Valley area are supported by our own delivery vans and box truck with tail lift which are operated by our in-house drivers. For deliveries to destinations outside of Klang Valley in Malaysia as well as international destinations, we outsource the deliveries to third party express delivery service providers. For the FYE 2020, 2021, 2022 and 2023, the cost of outsourcing the deliveries to third party express delivery service providers were RM431, RM13,060, RM44,556 and RM31,708 respectively.

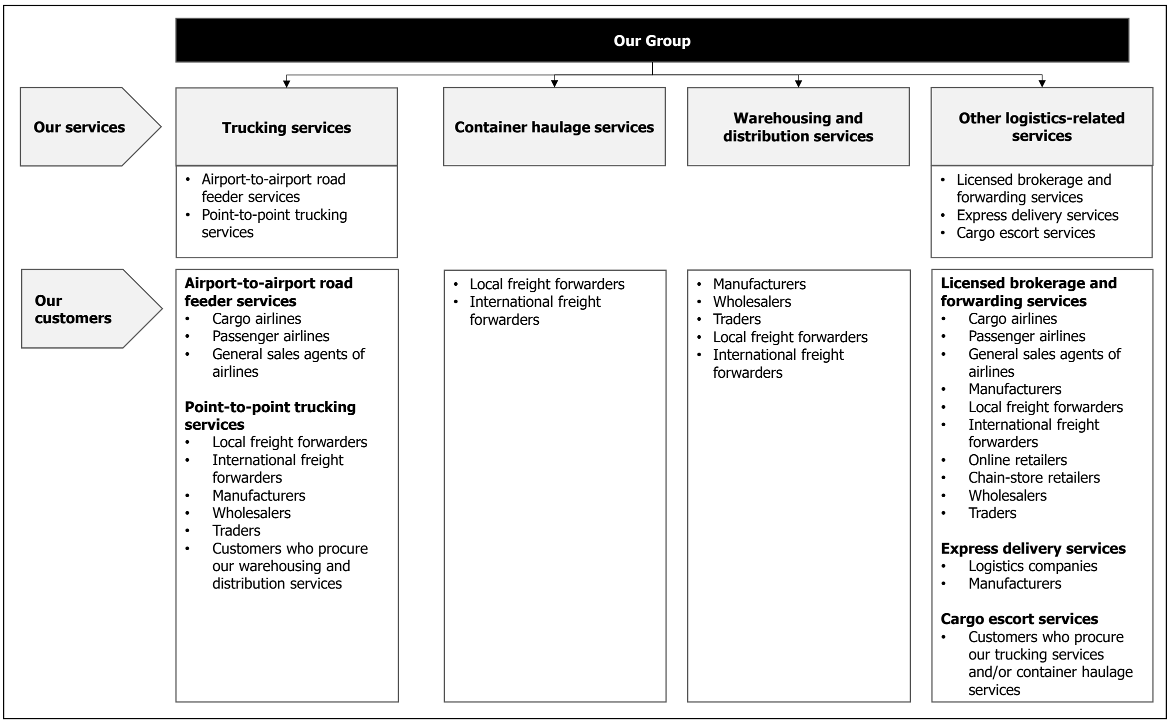
Our Group adopts a hub-and-spoke model for our express delivery services. Under our hub-and-spoke delivery model, all documents and parcels received from our customers (i.e. dropped off by customers at our Shah Alam Warehouse or collected from our customers' premises by our delivery van or box truck with tail lift) are sorted in our Shah Alam Warehouse according to final destinations, before delivery to the intended recipients. Our express delivery services are primarily provided to corporate customers such as logistics companies and manufacturers.

(c) Cargo escort services

We also provide either armed or unarmed cargo escort services depending on our customers' requirements as a complementary service to our trucking and container haulage businesses in escorting and protecting our commercial vehicles which are carrying our customers' cargo or containers during transportation. We may also provide cargo escort services as a standalone service to customers as and when required. We utilise our 4-wheel drive vehicles as our cargo escort vehicles. For unarmed cargo escort services, the commercial vehicle carrying our customer's cargo or container will be escorted by our cargo escort vehicle (i.e. driven and accompanied by 2 in-house unarmed cargo escort vehicle drivers). Further, for armed cargo escort services, the commercial vehicle carrying our customer's cargo or container will be escorted by our cargo escort vehicle (i.e. driven by 1 in-house unarmed cargo escort vehicle driver and accompanied by 1 armed security guard which we source from third party licensed security provider). Our cargo escort services are suitable for escorting commercial vehicles carrying high-value goods, controlled goods and/or oversized cargo. For the FYE 2020, 2021, 2022 and 2023, the cost of sourcing armed security guards from third party licensed security provider were approximately RM0.08 million, RM0.08 million, RM0.05 million and RM0.03 million respectively.

7.2.2 Our business model

Our Group's business model, by business activities, is as illustrated below:



7.2.3 Our operational facilities

As at LPD, our business operations are based in Malaysia at the following locations:

Facilities	Location	Function
Shah Alam Office and Warehouse as well as Shah Alam Workshop	Lot 1928, Jalan Bukit Kemuning, 40460 Shah Alam, Selangor	Headquarters, workshop and warehouse
KLIA Sepang Office	Lot CTB-B-Off 1, Pos Aviation Cargo Terminal Building, Pos Aviation Cargo Complex, Free Commercial Zone, KLIA, 64000 Sepang, Selangor	Branch office
Port Klang Office and Warehouse	Lot 183096, Jalan Sungai Chandong 22/KS11, Taman Perindustrian Pulau Indah Fasa 3A, 42920 Pelabuhan Klang, Selangor	Branch office and warehouse
Bukit Mertajam Office and Warehouse	No.1498, Jalan Bukit Tengah, Kawasan Perusahaan Bukit Tengah, 14000 Bukit Mertajam, Penang	Branch office and warehouse
Butterworth Warehouse	HSC Complex 1, Jalan Permatang Pauh, 13400 Butterworth, Penang	Warehouse
Penang International Airport Office	No.121-1, Jalan Batu Maung, 11960 Bayan Lepas, Penang	Branch office

7. BUSINESS OVERVIEW *(Cont'd)*

Facilities	Location	Function
Bukit Minyak Office and Warehouse	Lot 7720, Mukim 14, Lorong IKS Bukit Minyak 2, Taman IKS Bukit Minyak, 14000 Bukit Mertajam, Penang	Branch office and warehouse
Johor Office	No.53A, 1st Floor, Jalan Undan 15, Taman Perling, 81200 Johor Bahru, Johor	Branch office

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7. BUSINESS OVERVIEW *(Cont'd)*

7.2.4 Our fleet of commercial vehicles

As at LPD, we own and operate 461 commercial vehicles to carry out our business operations for the provision of trucking services, container haulage services, warehousing and distribution services and other logistics-related services, as depicted below:

Commercial vehicle	Sample picture	Number of units as at LPD	Business segment
Trucks			
3-ton box truck		53	Trucking services
8-ton box truck		28	Trucking services
3-ton refrigerated box truck		5	Trucking services
8-ton refrigerated box truck		9	Trucking services

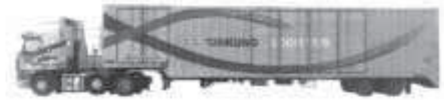
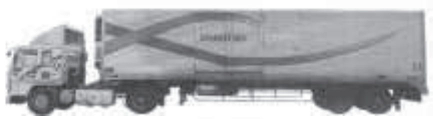
7. BUSINESS OVERVIEW *(Cont'd)*

Commercial vehicle	Sample picture	Number of units as at LPD	Business segment
Box truck with tail lift		1	Trucking services and express delivery services
Crane truck		1	Trucking services
Open truck		1	Trucking services
<u>Prime movers and trailers</u>			
Prime mover (container haulage)		20	Container haulage services

7. BUSINESS OVERVIEW *(Cont'd)*

Commercial vehicle	Sample picture	Number of units as at LPD	Business segment
Prime mover (trucking)		99	Trucking services
20-ft container trailer		39	Container haulage services
40-ft container trailer		85	Container haulage services
40-ft box trailer		63	Trucking services
45-ft box trailer		25	Trucking services

7. BUSINESS OVERVIEW *(Cont'd)*

Commercial vehicle	Sample picture	Number of units as at LPD	Business segment
55-ft box trailer		3	Trucking services
Curtain sider box trailer		8	Trucking services
Low loader trailer		1	Trucking services
Refrigerated box trailer		5	Trucking services
Sidelifter		1	Container haulage services

Commercial vehicle	Sample picture	Number of units as at LPD	Business segment
Others			
Delivery van		3	Express delivery services
Cargo escort vehicle		11	Cargo escort services
	Total	**461**	

The total number of commercial vehicles that our Group owned and operated for the end of each FYE 2020, 2021, 2022 and 2023 were 394, 400, 450 and 460 units respectively (excluding the commercial vehicles that were either beyond repair, not roadworthy or considered as total loss due to accidents as well as units being divested as part of the disposal of subsidiaries).

As at LPD, our 461 commercial vehicles have an average age of 13.5 years. Further, the average useful lifespan of our 461 commercial vehicles is 10 years, which is consistent with the computation of depreciation for commercial vehicles adopted by our Group's accounting policy. These commercial vehicles are still fit for use although their average age has exceeded the average useful lifespan as we continuously perform repair and maintenance for our commercial vehicles to extend their lifespans. We will continue to use these commercial vehicles as long as the commercial vehicles are roadworthy. For our commercial vehicles that are less than 10 years old, we will replace them in the event that they are either beyond repair, not roadworthy or considered total loss due to accident(s). For our commercial vehicles that are more than 10 years old, we will replace them in the event that the cost for repairs is deemed to be too high, the commercial vehicle is not roadworthy or considered total loss due to accident(s).

Our trucks, prime movers, trailers and delivery vans are allowed to transport cargo, documents and/or parcels on a commercial basis in Malaysia, enabling us to provide trucking services, container haulage services and express delivery services covering routes within Peninsular Malaysia. Further, as at LPD, we have obtained the ASEAN Goods Vehicle Permit (issued by the Land Transport Authority of Singapore) for 76 commercial vehicles comprising prime movers for trucking, box trailers, curtain sider box trailers, low loader trailer and refrigerated box trailers which allow us to provide trucking services covering routes between Peninsular Malaysia and Singapore. In addition, our Group also possesses approvals issued by the Land Transport Authority of Singapore and the Immigration & Checkpoints Authority of Singapore for the use of vehicles which exceed the width and length requirements prescribed under the Road Traffic (Control of Width and Length of Motor Vehicles) Rules 2010. Such approval is granted for a specified term, ranging from less than a month and up to 3 months, and will be applied for by our Group as and when required. Moreover, as at LPD, we also have the relevant permit which is similar or equivalent to road tax in Malaysia from Thailand's Department of Land Transport for 4 units of 40-ft box trailers which allows us to transport cargo to Thailand. The application and renewal process for all the abovementioned approvals or permits are merely procedural and any failure to obtain or renew such licence will not have a material adverse impact on our business operations. As such, these approvals or permits are not regarded as major licences to our Group's business.

As at LPD, our fleet of commercial vehicles are stationed in Selangor and Penang and are operated by our in-house drivers with valid Goods Driving License. A Goods Driving License is a licence which allows our drivers to drive commercially registered vehicles that are used for transporting goods, whereas Class D and E Competent Driving Licences allow our drivers to drive motor car with unladen weight not exceeding 3,500 kg and 7,500 kg respectively. Further, our in-house drivers also have valid airport passes and/or seaport passes to transport our customers' cargo or containers to/from the respective airports and/or seaports.

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7.2.5 Commercial vehicle maintenance and repair

As at LPD, the maintenance and repair works (i.e. save for tyre alignment work which is outsourced to third party workshops) for our fleet of commercial vehicles that are stationed in Selangor are managed and performed at our Shah Alam Workshop by our in-house vehicle maintenance team. To ensure that our fleet of commercial vehicles remain in good running condition and meet all operational requirements, our in-house vehicle maintenance team is responsible for monitoring the usage of commercial vehicles and scheduling maintenance programme to ensure that our commercial vehicles are well-maintained in a timely manner.

Scheduled maintenance works for our commercial vehicles are performed at intervals of 15,000 km mileage or every month (whichever comes first). Our Shah Alam Workshop is well equipped with tools and equipment and we also maintain certain level of inventory of commercial vehicle spare parts to ensure sufficient supply in supporting the maintenance and repair works for our commercial vehicles. As at LPD, we have approximately 1,760 stock-keeping units of spare parts stored at our Shah Alam Office 2, comprising among others, filters, valves, gears and shock absorbers. Further, we are also equipped with vehicle diagnostics machines to detect any faults as well as perform recalibration and reprogramming for our commercial vehicles. For our commercial vehicles that are stationed in Penang, major repairs such as engine repair for these commercial vehicles are done by our in-house vehicle maintenance team at our Shah Alam Workshop whereas the maintenance and minor repair works (e.g. replacement of filters and tyres) and tyre alignment works for these commercial vehicles are outsourced to third party workshops.

In the event that our commercial vehicles experience breakdowns or accidents while transporting our customers' cargo or container on the road, our drivers on duty will report the condition of the breakdown or accident to our transport team. Subsequently, our transport team will inform our customers about a potential delay in the shipment of their cargo as well as notify our vehicle maintenance team to liaise with our drivers to resolve the vehicle faults. If our drivers are unable to identify and/or resolve the vehicle faults under the guidance of our in-house vehicle maintenance team, we will dispatch our in-house vehicle maintenance personnel to inspect the faulty vehicle. Depending on the severity of the vehicle faults, our vehicle maintenance personnel may repair the faulty vehicle on the spot for minor faults. However, if the commercial vehicle, especially truck such as box truck, is unable to be repaired on the spot, we will engage a third party tow truck operator to tow the faulty truck to the delivery destination to offload the cargo or container. Subsequently, the faulty truck will be towed back to our Shah Alam Workshop or to the nearest third party workshop approved by our Group for a complete repair.

On the other hand, if the faulty commercial vehicle is a prime mover, we will engage a third party tow truck operator to tow the faulty prime mover back to our Shah Alam Workshop or to the nearest third party workshop approved by our Group for repair, and we will send a replacement prime mover so that our driver on duty can continue his trip to transport our customer's cargo or container to the delivery destination.

For any breakdowns relating to tyre repair and replacement, the tyre repair and replacement works for our commercial vehicles that are on the road are outsourced to third party tyre repair workshops.

7.2.6 Quality and reliability of drivers

Together with our fleet of commercial vehicles, our team of drivers form an integral part in ensuring that the logistics services we provide are completed in a timely and hassle-free manner. To achieve this, we have a stringent process in the hiring of our drivers and we also provide attractive remuneration to ensure that they are reliable and are motivated to deliver the products to our customers. The hiring process of our drivers are applicable to drivers who we hire on contract basis as well as freelance drivers. Our drivers are hired on a contract basis instead of permanent employment as this allows our Group to better assess the performance, attitude and reliability of our drivers and enables us to make informed and competitive decisions during contract renewals, as compared to permanent positions.

Prior to hiring the drivers, we will conduct background screening on them which include checking their past employment and education history. Further, criminal record checks are also conducted on our applicants through an outsourcing arrangement with a third party background screening service provider. Additionally, upon confirmation of the employment of our drivers, we will also conduct regular criminal record checks on them through our third party background screening provider on an annual basis. Some of our drivers undergo a probationary period whereby they will make trips together with more experienced or established drivers, before gradually making trips by themselves.

In addition, to motivate our drivers, all of whom are with us on a contract basis, we offer attractive commission schemes which reward them based on the number of trips they make. This is a win-win situation for us, as we would be assured that our drivers are incentivise to fulfil their deliveries in a timely manner.

7.2.7 Safety and prevention

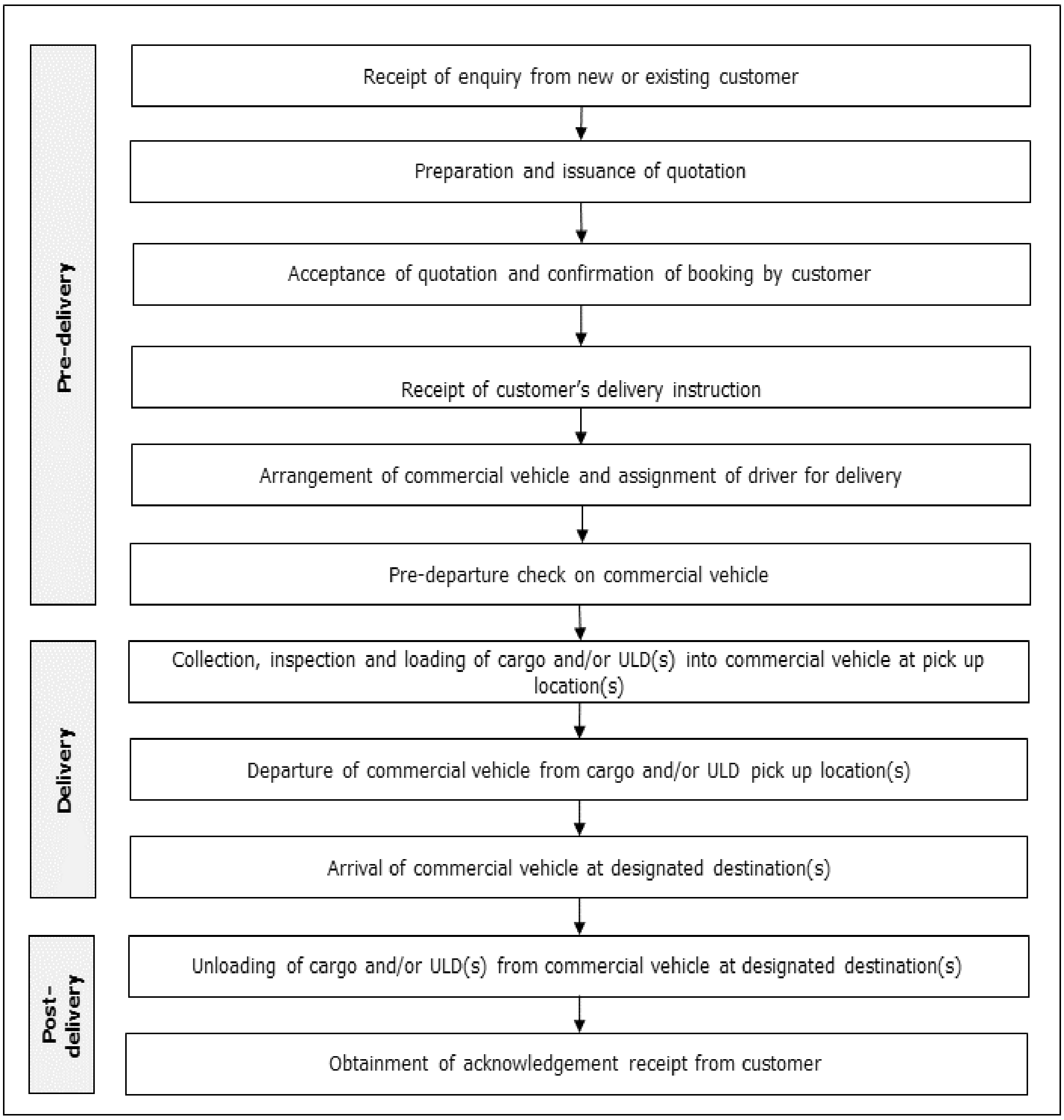
In efforts to ensure customers' cargo or containers are delivered safely by our trucking or container haulage divisions, we adhere to stringent selection criteria for our drivers, including driving experience and possession of valid Goods Driving Licence and Class D and/or Class E Competent Driving Licence.

We place high priority on transportation safety whereby most of our trucks and prime movers are installed with a speed limiter set to 90 km/h or below. Additionally, we have put in place a vehicle tracking and fleet management system synced to the GPS that is installed in each of our commercial vehicles in order to trace, track and record the precise locations of our commercial vehicles in real time, monitor the driving condition of our drivers and to provide instant alert on speeding and deviation from assigned delivery routes of drivers, ensuring operation efficiency and effectiveness. Further, most of our commercial vehicles are also equipped with fuel sensors to monitor fuel consumption. Additionally, our refrigerated box trucks and refrigerated box trailers are equipped with temperature sensors to monitor cargo temperature. Please refer to Section 7.6 for further details of our technology used for our business operations.

Moreover, in circumstances where hijacking, pilferage or sabotaging of our commercial vehicles is to occur, we have implemented an anti-hijacking, anti-pilferage and anti-sabotage training session via a training video to train and prepare our drivers in handling such situations.

7.3 BUSINESS PROCESSES

7.3.1 Provision of trucking services



(a) Pre-delivery

The process of our trucking services starts with receiving enquiry from our new or existing customer with the details of, among others, consignee's / consignor's information, pick up location(s), delivery destination(s), nature of cargo, delivery schedule and any other special requirements (e.g. special packing and temperature controlled cargo) via phone or email.

Upon receiving the enquiry, we will determine our Group's service capability by checking for the availability of commercial vehicle required for the transportation of our customer's cargo and/or ULD(s) and subsequently prepare and issue a quotation stating the delivery charges as well as trucking requirements and details specified by our customer. For airport-to-airport trucking services, we charge our customers a fixed fee based on the weight of their shipment, and may include variable charges should there be changes to the initial arrangement, such as ad hoc cargo added to the shipment or additional routes. Occasionally, depending on negotiations we may charge the customer a fixed fee per shipment (i.e per truck) for the airport-to-airport trucking services which is applicable for FTL only. For point-to-point trucking services on FTL basis, we charge our customers a fixed fee per shipment (i.e. per truck). On the other hand, for point-to-point trucking services on LTL basis, we charge our customers based on the weight of their shipment. However, if the weight of shipment is lower than our Group's minimum weight threshold, our customer is required to pay a minimum shipment charge. Once our customer agrees and accepts the quotation, our customer will proceed to place and confirm the booking with us. Subsequently, we will await customer's instruction via email for the delivery of its cargo and/or ULD(s) in due course.

Upon receiving our customer's delivery instruction, we will arrange for the necessary commercial vehicle and manually assign a driver (i.e. we do not have a software system that allows us to assign our drivers for our trucking operations automatically) for the shipment of the customer's cargo and/or ULD(s) as well as prepare a delivery order. We are able to consistently ensure that we have sufficient commercial vehicles available for our customers' shipments as we maintain a fleet of standby commercial vehicles. In the event if we do not have commercial vehicle available during the time specified by our customer, we will inform our customer and propose an alternative time to pick up their cargo and/or ULD(s). Subsequently, we will inform and handover our driver the delivery order. Before the shipment of customer's cargo and/or ULD(s), a pre-departure check will be performed on our commercial vehicle to ensure that the commercial vehicle is in good condition for safe road use. All of our drivers have fundamental knowledge in performing pre-departure check on our commercial vehicles such as checking the battery water level, conditions of tyres and brakes, and temperature of the vehicle, among others. Further, as at LPD, we have not experienced any occurrence in which we have to engage a third party trucking service provider to deliver our customers' cargo and/or ULD(s) resulting from unavailability of our in-house commercial vehicles.

(b) Delivery

Thereafter, our driver will depart to the appointed pick-up location(s) (e.g. airport, seaport, customer's pick-up premises or our Group's warehouse) for the collection of our customer's cargo and/or ULD(s) at the scheduled time. Before loading the cargo and/or ULD(s) into our commercial vehicle, we will first inspect and verify the condition and quantity of cargo. As for ULD(s), we will check and verify the serial number(s) of the ULD(s) against the relevant documents and check the exterior conditions of the ULD(s).

Once the customer's cargo and/or ULD(s) have been loaded into our commercial vehicle, the cargo and/or ULD(s) are then delivered to the designated destination(s) (e.g. airport, seaport, customer's drop-off premises or our Group's warehouse) according to the planned route and schedule. For our cross-border trucking services, our customer's cargo and/or ULD(s) may have to go through a customs clearance process upon arriving at Malaysia's or another country's border. Further, our commercial vehicle may be accompanied by our cargo escort vehicles upon request by our customers.

(c) Post-delivery

As our commercial vehicle arrives at the designated destination, our customer's cargo and/or ULD(s) will be unloaded from our commercial vehicle. Subsequently, our driver will then obtain an acknowledgment receipt from our customer for the receipt of cargo and/or ULD(s).

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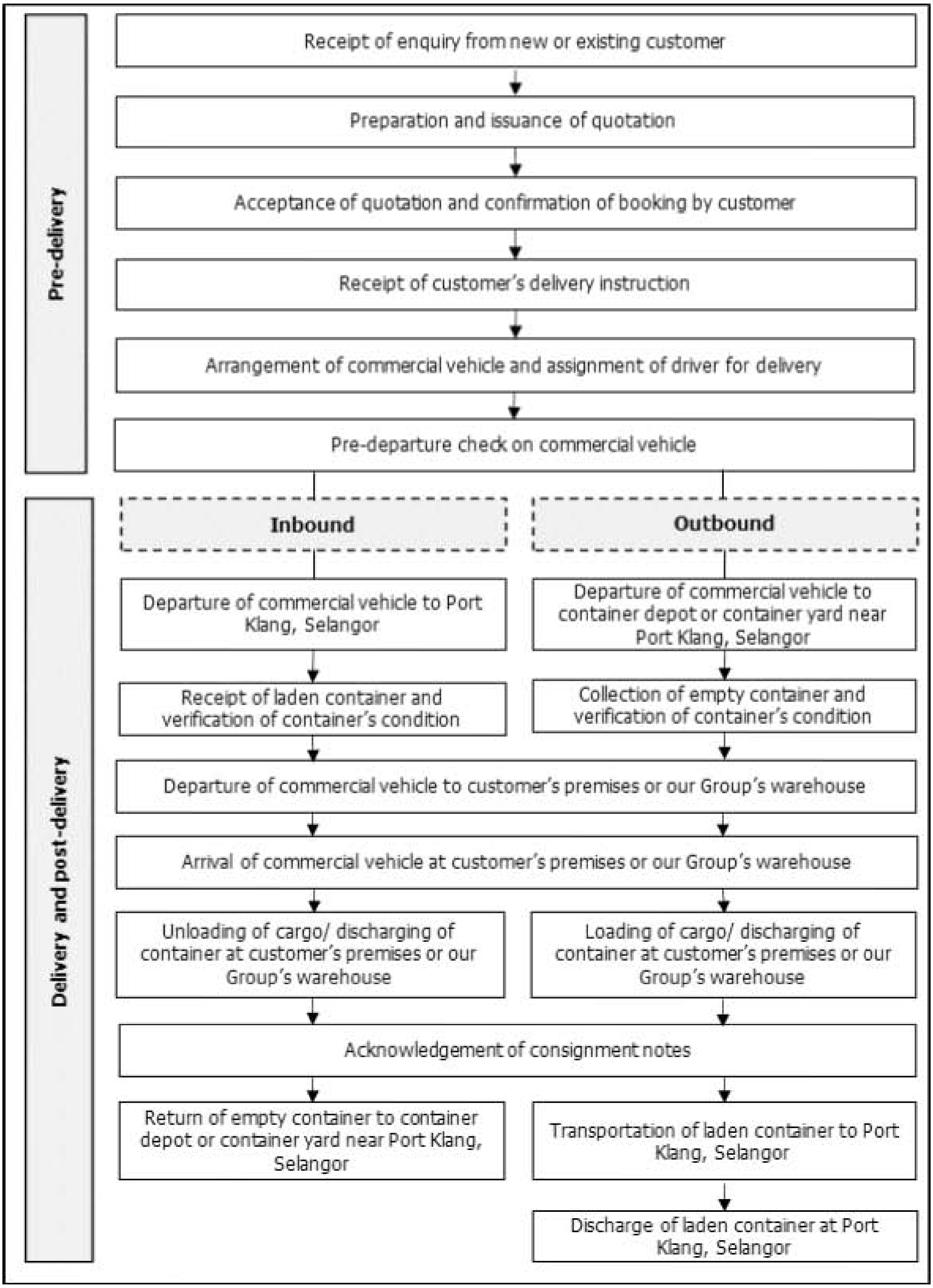
7.3.2 Provision of container haulage services



Our container haulage services comprise inbound and outbound container movements whereby the respective operational flow for inbound and outbound container movements are different from each other during the delivery and post-delivery stages, as described below.

(a) Pre-delivery

The process of our container haulage services starts with receiving enquiry from our new or existing customer with the details of, among others, cargo type, container type and amount, pick up location, delivery destination and delivery schedule via phone or email.

Upon receiving the enquiry, we will determine our Group's service capability by checking for the availability of commercial vehicle required for the transportation of our customer's container and subsequently prepare and issue a quotation stating the delivery charges as well as container haulage requirements and details specified by our customer. Once our customer agrees and accepts the quotation, our customer will proceed to place and confirm the booking with us. Subsequently, we will await customer's instruction via email for the delivery of its container in due course.

Upon receiving our customer's delivery instruction, we will arrange for the necessary commercial vehicle and assign a driver through our haulage management system for the shipment of the customer's container as well as prepare a consignment note. Subsequently, we will inform and handover our driver the consignment note as well as other related documents provided by the customer or customer's appointed forwarding agent. Before every shipment of customer's container, our driver will perform a pre-departure check on our commercial vehicle to ensure that the commercial vehicle is in good condition for safe road use and for the transportation of container. All of our drivers have fundamental knowledge in performing pre-departure check on our commercial vehicles such as checking the battery water level, conditions of tyres and brakes, and temperature of the vehicle, among others.

(b) Delivery and post-delivery

(i) Inbound container movement

Following the pre-departure check on commercial vehicle, our driver will proceed to collect customer's laden container from Port Klang, Selangor (i.e. Northport or Westport) and verify the condition of the container and ensuring the seal of the container is intact. If the container is found to be dented upon verification by our driver, our driver will inform the port authority to conduct further inspection and collect an equipment interchange receipt before leaving the port.

Upon collection and verification of the laden container, our driver will proceed to deliver the container to our customer's premises or our Group's warehouse. Our commercial vehicle may be accompanied by our cargo escort vehicles upon request by the customer.

Upon arriving at customer's premises or our Group's warehouse, cargo stored in the container may be directly unloaded from the container on the spot. If the cargo is not directly unloaded, the container will be discharged by cutting-off the trailer carrying the container at the customer's premises or our Group's warehouse for unloading of cargo at a later time.

Subsequently, our driver will obtain acknowledgement of consignment notes from customer or our warehouse team. Thereafter, for cases whereby cargo is being directly unloaded from the container, our driver will return the empty container to the container depot or container yard located near Port Klang, Selangor upon completion of cargo unloading at our customer's premises or our Group's warehouse. As for cases whereby the entire container is discharged at customer's premises or our Group's warehouse, we will wait for our customer's or our warehouse team's next instruction before collecting the empty container on another scheduled time to be returned to the container depot or container yard.

(ii) Outbound container movement

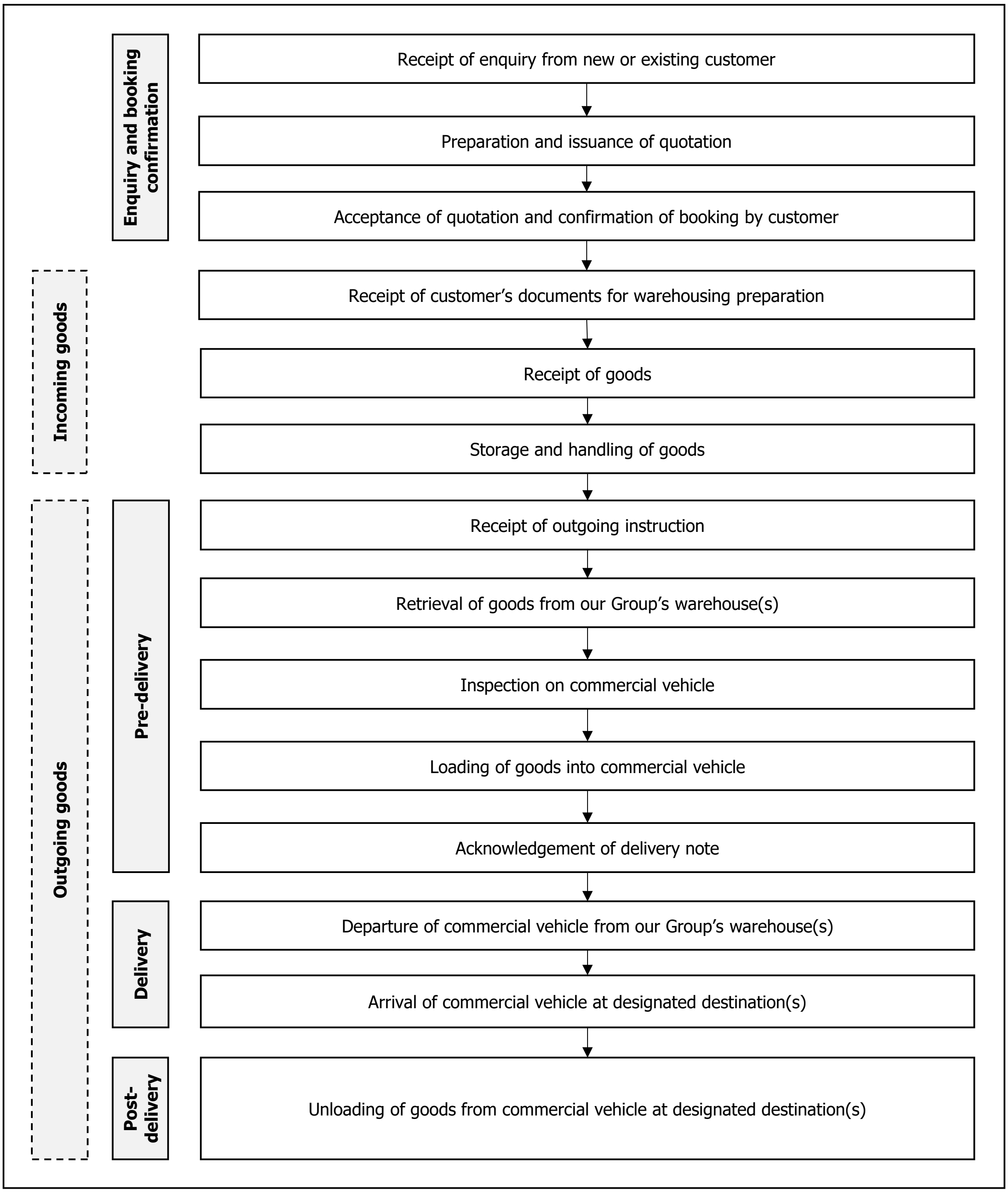
Following the pre-departure check on commercial vehicle, our driver will proceed to collect an empty container from a container depot or container yard located near Port Klang, Selangor and check and verify the container's external condition and container number. If the empty container is found to be dented upon verification by our driver, our driver will then inform the person-in-charge of the container depot or container yard for repair before delivering to customer's premises.

Upon collection and verification of the empty container, our driver will proceed to deliver the empty container to our customer's premises or our Group's warehouse.

Upon arriving at customer's premises or our Group's warehouse, our customer or our warehouse team may directly load the cargo into the empty container on the spot or the empty container may be discharged at customer's premises or our Group's warehouse for loading of cargo at a later time. If the empty container is found to be dented upon arrival at customer's premises or our Group's warehouse, we will inform the person-in-charge of the container depot or container yard and request for a technician to be sent to the customer's premises or our Group's warehouse to repair the container.

Subsequently, our driver will obtain acknowledgement of consignment notes from customer or our warehouse team upon delivery of empty container to customer's premises or our Group's warehouse respectively. Thereafter, for cases whereby cargo is being loaded into the empty container on the spot, our driver will transport the laden container to Port Klang, Selangor (i.e. Northport or Westport) for discharge upon completion of cargo loading at customer's premises or our Group's warehouse. As for cases whereby the entire empty container is discharged at customer's premises or our Group's warehouse, we will wait for our customer's or our warehouse team's next instruction to collect the laden container (i.e. after the cargo has been loaded into the container) on another scheduled time to be transported and discharged at Port Klang, Selangor (i.e. Northport or Westport).

7.3.3 Provision of warehousing and distribution services



(a) Enquiry and booking confirmation

The process of our warehousing and distribution services starts with receiving enquiry from our new or existing customer with the details of their warehousing requirements such as type and volume of goods, handling and storage requirements as well as storage period via phone or email.

Upon receiving the enquiry, we will determine our Group's service capability by checking for the space availability of our Group's warehouse(s) and subsequently prepare and issue a quotation stating the warehouse storage, handling and/or delivery charges. Quotation for forwarding and customs clearance charges may be included as well if any special request is made by the customer for bonded cargo shipment. Once our customer agrees and accepts the quotation, our customer will proceed to place and confirm the booking with us.

(b) Incoming goods

Upon receipt of customer's documents such as invoice, delivery order or other delivery document with details on, among others, the type and quantity of goods to be stored, storage requirements and/or value of bonded goods via email, we will update the incoming shipment schedule and prepare for the storage of customer's goods at our Group's warehouse(s).

Subsequently, our customer will deliver its goods to our Group's warehouse(s) using its own transport or we will collect our customer's goods from its appointed location using our commercial vehicle at an agreed time.

Upon receipt of goods at our Group's warehouse(s), we will check and verify the incoming documents and the actual goods received in terms of type and quantity by stock-keeping unit number and expiry date against the order placed by our customer to ensure that the correct goods are received. Further, we will also inspect the condition of the goods especially pharmaceutical goods to check for any potential contamination.

Thereafter, the goods received will then be stored in the allocated space of our Group's warehouse(s), depending on the storage requirements of the goods. For instance, goods which require to be stored in a temperature-controlled environment will be stored in our Group's warehouse's cold room facility. Further, we also classify and store our customer's goods at different areas of the warehouse depending on whether the goods are bonded or non-bonded.

For FYE 2020 and 2021, there were 2 and 3 cases of damage of goods while storing our customers' goods in our Group's warehouse in the respective years. There were no claims by our customers for the 2 cases in FYE 2020 whereas there were claims amounting to RM1,753 by our customers for the 3 cases in FYE 2021. For FYE 2022 and 2023, there was no occurrence of damage of goods stored in our Group's warehouses.

In the event our customer requests to extend the storage period of its goods after the booking confirmation, we will check the space availability of our warehouse for the extended storage period. If there is available warehouse space during that period, we will continue to store our customer's goods for the extended storage period. However, if we do not have sufficient available warehouse capacity during the extended storage period, we may advise our customer to store their goods in their own premises.

(c) Outgoing goods

(i) Pre-delivery

For dispatch of goods from our warehouse(s), we will receive outgoing instruction as well as the relevant documents (i.e. packing list, invoice and/or any other documents) from our customer via email. Upon confirmation and verification of customer's documents such as the delivery date and destination(s), type and quantity of goods and any other special instruction, we will retrieve our customer's goods from our Group's warehouse(s) in accordance to the customer's instruction details. Subsequently, the goods will be loaded into a third party transporter's vehicle appointed by our customer or will be loaded into our commercial vehicle if our customer requests for our trucking services for the distribution of its goods. In the event if our trucking services are requested for the distribution of customer's goods, we will request for a commercial vehicle from our transport department via email.

Prior to loading the goods into the commercial vehicle, we will perform an inspection on the third party transporter's vehicle or our commercial vehicle to ensure that there is no potential contamination of commercial vehicle for the delivery of customer's goods especially for pharmaceutical goods. Upon loading the goods into the commercial vehicle (i.e. third party transporter's vehicle or our commercial vehicle), a final inspection on quantity, model or product description and general packaging condition of the goods will be conducted by us and the third party transporter or our driver.

After the inspection, acknowledgement of delivery note will be obtained from the third party transporter or our driver.

(ii) Delivery

Subsequently, the goods are then delivered to the designated destination(s) according to the planned route and schedule.

(iii) Post-delivery

For goods that are delivered using our commercial vehicle, our customer's goods will be unloaded from our commercial vehicle and released to the consignee(s) upon arrival at the designated destination(s). For FYE 2020, 2021, 2022 and 2023 and up to LPD, there has not been any occurrence of damage of goods during the delivery of customer's goods using our commercial vehicles.

7.4 PRINCIPAL BUSINESS SEGMENTS AND MARKETS

For the FYE 2020, 2021, 2022 and 2023, the provision of trucking services was the largest revenue contributor to our Group as it contributed 81.0%, 83.4%, 76.1% and 72.3% of our Group's total revenue respectively. For the FYE 2020, 2021, 2022 and 2023, our container haulage services, warehousing and distribution services and other logistics-related services collectively contributed 19.0%, 16.6%, 23.9% and 27.7% of our Group's total revenue in the respective years.

The breakdown of our Group's revenue by business segment for the FYE 2020, 2021, 2022 and 2023 is as follows:

Revenue by business segment	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Trucking services								
- Airport-to-airport road feeder services	24,543	57.0	32,593	62.4	28,739	50.6	27,022	52.0
- Point-to-point trucking services	10,332	24.0	10,953	21.0	14,469	25.5	10,553	20.3
	34,875	81.0	43,546	83.4	43,208	76.1	37,575	72.3
Container haulage services	4,164	9.7	3,470	6.6	4,399	7.8	4,940	9.5
Warehousing and distribution services	2,777	6.4	3,775	7.2	6,828	12.0	8,178	15.7
Other logistics-related services[1]	1,255	2.9	1,465	2.8	2,308	4.1	1,291	2.5
Total	**43,071**	**100.0**	**52,256**	**100.0**	**56,743**	**100.0**	**51,984**	**100.0**

Note:

(1) Comprises licensed brokerage and forwarding services, express delivery services as well as cargo escort services.

For the FYE 2020, 2021, 2022 and 2023, our local revenue contributed 60.6%, 51.8%, 58.1% and 54.1% of our Group's total revenue respectively, while our overseas revenue accounted for 39.4%, 48.2%, 41.9% and 45.9% of our Group's total revenue respectively.

The breakdown of our Group's revenue by geographical market for the FYE 2020, 2021, 2022 and 2023 is as follows:

Revenue by geographical market[1]	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	**26,117**	**60.6**	**27,047**	**51.8**	**32,941**	**58.1**	**28,117**	**54.1**
Overseas								
- Singapore	9,367	21.7	15,246	29.2	12,789	22.5	14,173	27.3
- Middle East	3,420	7.9	4,718	9.0	3,685	6.5	3,186	6.1
- Europe	1,106	2.6	2,115	4.0	3,657	6.4	4,160	8.0
- PRC	2,200	5.1	1,940	3.7	1,385	2.4	1,457	2.8
- Asia[2]	318	0.7	1,126	2.2	1,333	2.4	332	0.6
- Others[3]	543	1.4	64	0.1	953	1.7	559	1.1
Sub-total	**16,954**	**39.4**	**25,209**	**48.2**	**23,802**	**41.9**	**23,867**	**45.9**
Total	**43,071**	**100.0**	**52,256**	**100.0**	**56,743**	**100.0**	**51,984**	**100.0**

Notes:

(1) Revenue by geographical market is based on the place of domicile of our customers.

(2) Comprises Japan, Korea, Sri Lanka, Taiwan and Vietnam excluding Singapore and PRC.

(3) Comprises Australia, Türkiye and USA.

For the FYE 2020, 2021 and 2022, airlines were the largest contributor of our Group's revenue among the customer types as airlines contributed 53.8%, 54.5% and 46.5% of our Group's total revenue for the respective years. Subsequently, in FYE 2023, local and international freight forwarders were the largest contributor of our Group's revenue among the customer types with a contribution of 38.4%.

The breakdown of our Group's revenue by type of customers for the FYE 2020, 2021, 2022 and 2023 is as follows:

	Audited							
Revenue by type of customers	**FYE 2020**		**FYE 2021**		**FYE 2022**		**FYE 2023**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Airlines	23,157	53.8	28,458	54.5	26,369	46.5	19,811	38.1
Local and international freight forwarders	15,038	34.9	15,333	29.3	22,701	40.0	19,941	38.4
General sales agents of airlines(1)	1,071	2.5	4,235	8.1	2,643	4.6	7,528	14.5
Others(2)	3,805	8.8	4,230	8.1	5,030	8.9	4,704	9.0
Total revenue	**43,071**	**100.0**	**52,256**	**100.0**	**56,743**	**100.0**	**51,984**	**100.0**

Notes:

(1) General sales agents of airlines refer to companies that are appointed by airlines to handle cargo sales and logistics for the airlines.

(2) Others include customers such as manufacturers, traders and online retailers.

Our Group has a total of 89, 93, 99 and 126 customers for the respective FYE 2020, 2021, 2022 and 2023.

7.5 SALES AND MARKETING STRATEGIES

We actively engage in the following sales and marketing strategies:

(a) Customs brokerage / freight forwarding agents

From the start of 2023 up to LPD, we have engaged with 3 customs brokerage / freight forwarding agents, whereby 1 is based in Malaysia, 1 in Singapore and 1 in Thailand, with whom we had transactions with during the period. Our customs brokerage / freight forwarding agents primarily assist in referring sales opportunities to our Group as well as attending customers' enquiries. Further, they are also responsible for facilitating customs clearance and/or freight forwarding services.

(b) In-house customer service

Our sales and marketing initiatives are carried out by our Managing Director, Alan Ong Lay Wooi, where he is involved in identifying and engaging potential customers directly to secure new sales. Further, potential customers are also identified through general referrals from our existing customers, business associates as well as from our industry network.

Our Managing Director is supported by our transport, warehouse, freight forwarding, express as well as sales and marketing teams who are also responsible for liaising and maintaining relationships with our customers, providing them with information on our Group's service offerings and solutions to address customers' needs. Our transport, warehouse, freight forwarding, express as well as sales and marketing teams are equipped with the relevant experience, knowledge, industry network and strong understanding in the logistics industry to better serve our customers' needs.

(c) Corporate website

We have established our corporate website at www.sinkung.my, which provides information on our Group and the services that we provide. Further, for the provision of our express delivery services, customers can also trace and track their shipments through our website. We understand that the internet is an important advertising medium as the current widespread use of the internet as a source of information will potentially enhance our market reach and exposure.

(d) Social media

We advertise and market our service offerings through various social media platforms such as Facebook (SinKung Group (Sin-Kung Logistics Berhad)) and LinkedIn (Sin-Kung Logistics Berhad) to share industry-related knowledge, keep viewers updated on our recent activities and attract potential customers who are seeking for trucking services, container haulage services, warehousing and distribution services and/or other logistics-related services.

We engage a digital marketing agency to create online marketing content on behalf of our Group which will be posted on our social media platforms.

(e) Vehicle branding

We also advertise through vehicle branding by displaying our Group's name on our fleet of commercial vehicles, allowing us to market and increase the brand visibility of our Group when our commercial vehicles are on the road. Our commercial vehicles are painted in-house at our in-house painting garage (i.e. which is part of our workshop facilities at our Shah Alam Workshop) for our vehicle branding.

(f) Associations

As at LPD, our Group is a member of the Selangor Freight Forwarders & Logistics Association, Johor Freight Forwarders Association, Airfreight Forwarders Association of Malaysia and Transported Asset Protection Association Asia Pacific. Our participation in these associations helps to increase the visibility of our Group in the logistics industry as well as allows us to keep abreast with relevant new developments in the logistics industry.

7.6 TECHNOLOGY USED

Our Group uses, and will continue to use, the following technologies in our business:

Technology / Software	Descriptions
Vehicle tracking and fleet management system	A system synced with the GPS installed in our commercial vehicles which allows our Group to track, trace and record the precise locations of our commercial vehicles as well as any unauthorised stops done by our drivers in real-time, monitor the driving condition of our drivers such as speeding, provide instant alert on speeding and deviation from assigned delivery routes of drivers as well as monitor fuel consumption and/or cargo temperature, all of which are also used to assess the performance of our drivers.
Haulage management system	A system used for automating and managing container haulage processes such as receiving customers' orders, route planning, assigning drivers, tracking delivery status of shipments, generating invoices and automating calculation of driver's incentives as well as integrating container haulage data processing for performance analysis.
Warehouse management system	A system used to centrally monitor and control the movement and storage of goods across all our Group's warehouses. Through this system, we are able to track the overall utilisation of all our Group's warehouses, as well as to track and manage the movement of goods from point of receipt, handling in warehouses, to delivery of the goods to the intended recipients. The goods can be managed and tracked in accordance to their batch number and customer lot number. This system enables us to control and optimise storage space utilisation as well as goods movement, thus improving our operation efficiency.
Express delivery management system	A system used to automate and streamline express delivery service-related processes such as receiving customer's orders, shipment quotation, printing of air waybill and tracking delivery status of shipments. This enables our Group to monitor, plan and manage our delivery efficiently from order placement to delivery of shipments under a single system.
Inventory management system	A system used to monitor and manage the inventory of our commercial vehicle spare parts stored in our Shah Alam Office 2. Through this system, we are able to track our commercial vehicle spare parts inventory level and facilitate us in making the necessary inventory replenishment arrangement.

Save for the express delivery management system which is internally developed by our Group, all technologies listed above are sourced from third parties.

7.7 INTERRUPTIONS TO BUSINESS AND OPERATIONS FOR THE PAST 12 MONTHS

Our Group has not experienced any interruption that had significant effect on our operations during the past 12 months preceding LPD.

During the outbreak of the global COVID-19 pandemic since 2020, as transportation and logistics are deemed as essential services, our Group was allowed to operate our business for our trucking, container haulage, warehousing and distribution and other logistics-related services, subject to compliance with the Government's SOP. As such, we did not experience any material interruptions to our business operations due to the COVID-19 pandemic.

As Malaysia transitions from COVID-19 pandemic to endemic since 1 April 2022 up to LPD, our business operations for our trucking, container haulage, warehousing and distribution and other logistics-related services have continued as usual and we did not face any material disruptions to our business operations for the past 12 months and up until LPD.

7.8 SEASONALITY AND CYCLICALITY

Generally, our operations are not significantly affected by seasonal / cyclical effects.

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7.9 MAJOR CUSTOMERS

Our top 5 major customers for the FYE 2020, 2021, 2022 and 2023 are as follows:

		Revenue		Nature of business	Services provided	Length of relationship[1]
No.	**Major customer**	**RM'000**	**%**			**Years**
FYE 31 December 2020						
1.	Customer A	8,860	20.6	Passenger and cargo airline	Trucking services, licensed brokerage and forwarding services as well as cargo escort services	7
2.	Customer B	6,809	15.8	Cargo airline	Trucking services as well as licensed brokerage and forwarding services	1
3.	Customer C	4,820	11.2	International freight forwarder	Trucking services, container haulage services, warehousing and distribution services, licensed brokerage and forwarding services as well as express delivery services	9
4.	Customer D	3,349	7.8	International freight forwarder	Trucking services	10
5.	Customer E	2,993	6.9	Passenger and cargo airline	Trucking services, licensed brokerage and forwarding services as well as cargo escort services	6
	Sub-total	**26,831**	**62.3**			
	Total	**43,071**	**100.0**			

No.	Major customer	Revenue RM'000	Revenue %	Nature of business	Services provided	Length of relationship(1) Years
FYE 31 December 2021						
1.	Customer A	11,912	22.8	Passenger and cargo airline	Trucking services, licensed brokerage and forwarding services as well as cargo escort services	8
2.	Customer B	6,185	11.8	Cargo airline	Trucking services as well as licensed brokerage and forwarding services	2
3.	Customer C	6,118	11.7	International freight forwarder	Trucking services, container haulage services, warehousing and distribution services, licensed brokerage and forwarding services as well as express delivery services	10
4.	Customer E	4,589	8.8	Passenger and cargo airline	Trucking services, licensed brokerage and forwarding services as well as cargo escort services	7
5.	Customer D	3,349	6.4	International freight forwarder	Trucking services	11
	Sub-total	**32,153**	**61.5**			
	Total	**52,256**	**100.0**			

7. BUSINESS OVERVIEW *(Cont'd)*

No.	Major customer	Revenue RM'000	Revenue %	Nature of business	Services provided	Length of relationship[(1)] Years
FYE 31 December 2022						
1.	Customer A	11,063	19.5	Passenger and cargo airline	Trucking services, licensed brokerage and forwarding services as well as cargo escort services	9
2.	Customer C	7,232	12.7	International freight forwarder	Trucking services, container haulage services, warehousing and distribution services as well as licensed brokerage and forwarding services	11
3.	Customer B	4,480	7.9	Cargo airline	Trucking services as well as licensed brokerage and forwarding services	3
4.	Customer D	3,712	6.5	International freight forwarder	Trucking services	12
5.	Customer E	3,041	5.4	Passenger and cargo airline	Trucking services, licensed brokerage and forwarding services as well as cargo escort services	8
	Sub-total	**29,528**	**52.0**			
	Total	**56,743**	**100.0**			

No.	Major customer	Revenue RM'000	Revenue %	Nature of business	Services provided	Length of relationship[(1)] Years
FYE 31 December 2023						
1.	Customer A	8,782	16.9	Passenger and cargo airline	Trucking services, licensed brokerage and forwarding services as well as cargo escort services	10
2.	Customer C	6,578	12.7	International freight forwarder	Trucking services, container haulage services, warehousing and distribution services as well as licensed brokerage and forwarding services	12
3.	Customer F	5,110	9.8	General sales agent of airlines	Trucking services as well as licensed brokerage and forwarding services	3
4.	Customer D	3,018	5.8	International freight forwarder	Trucking services	13
5.	Customer G	3,013	5.8	International freight forwarder	Trucking services, warehousing and distribution services as well as licensed brokerage and forwarding services	2
	Sub-total	**26,501**	**51.0**			
	Total	**51,984**	**100.0**			

Note:

(1) Length of relationship as at the respective FYE.

For the FYE 2020, 2021, 2022 and 2023, our top 5 major customers collectively contributed 62.3%, 61.5%, 52.0% and 51.0% of our total revenue for the respective years.

For the FYE 2020, 2021, 2022 and 2023, we were dependent on Customer A who contributed 20.6%, 22.8%, 19.5% and 16.9% of our Group's total revenue for the respective years. Further, we were also dependent on Customer C who contributed 11.2%, 11.7%, 12.7% and 12.7% of our Group's total revenue for FYE 2020, 2021, 2022 and 2023 respectively. Our Group's sales with Customer A and Customer C are based on bookings. As at LPD, our Group has enjoyed a 11-year and 13-year working relationships with Customer A and Customer C respectively, which is expected to continue in the future. In the event of a termination or loss of Customer A and/or Customer C, our Group will be materially and adversely impacted. Nonetheless, business from our other customers has been steadily growing, and the contribution from our top 5 major customers has been declining for the FYE 2020, 2021, 2022 and 2023 from 62.3% to 61.5%, 52.0% and then to 51.0%. In this respect, our Group is steadily reducing our dependency on our top 5 major customers, and expects this trend to continue, and as such, the level of concentration of revenue from our major customers is expected to reduce.

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7.10 TYPES, SOURCES AND AVAILABILITY OF INPUT

The table below sets out our purchases for FYE 2020, 2021, 2022 and 2023:

	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
Purchases	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Diesel costs	4,569	31.6	5,811	33.0	5,516	32.9	5,108	34.2
Maintenance expenses[(1)]	3,074	21.2	3,784	21.5	3,757	22.4	2,991	20.0
Toll and parking charges	2,076	14.3	2,295	13.1	2,068	12.3	1,924	12.9
Insurance and road tax	1,130	7.8	1,332	7.6	1,996	11.9	1,336	8.9
Handling charges[(2)]	1,255	8.7	1,773	10.1	1,360	8.1	1,036	6.9
Subcontracted drivers[(3)]	724	5.0	869	4.9	95	0.6	-	-
Others[(4)]	1,650	11.4	1,721	9.8	1,988	11.8	2,563	17.1
	14,478	**100.0**	**17,585**	**100.0**	**16,780**	**100.0**	**14,958**	**100.0**

Notes:

(1) Maintenance expenses incurred for commercial vehicles and motor vehicles (i.e. including purchase of tyres and spare parts), warehouses and machinery.

(2) Handling charges comprise handling charges for customs documentation and clearance.

(3) We have ceased the sourcing of drivers for the provision of our trucking services in February 2022. As at LPD, we source all of our own drivers.

(4) Others mainly comprise security escort charges, security guard charges, subscription of GPS, rental of forklifts and trucks, permit and licence fees, and utilities.

The main inputs that we purchased and charges that we incurred primarily comprised diesel costs, maintenance expenses, toll and parking charges, insurance and road tax, handling charges as well as subcontracted drivers, and they collectively accounted for approximately 88.6%, 90.2%, 88.2% and 82.9% of our total purchases for the respective FYE 2020, 2021, 2022 and 2023.

During the FYE 2020, 2021, 2022, 2023 and up to LPD, our Group has not encountered any major disruptions in sourcing supplies and services from third party vendors.

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7.11 MAJOR SUPPLIERS

Our top 5 major suppliers for the FYE 2020, 2021, 2022 and 2023 are as follows:

No.	Major supplier	Purchase value RM'000	Purchase value %	Nature of business	Products / Services sourced	Length of relationship[(1)] (Years)
FYE 31 December 2020						
1.	PETRONAS Dagangan Berhad	1,812	12.5	Petroleum products marketer	Diesel	3
2.	Jana Rezeki Sdn Bhd	1,218	8.4	Touch 'n Go sales agent	Touch 'n Go top up for toll expenses	4
3.	Stesyen Minyak Keang Li Sdn Bhd	1,206	8.3	Petrol station operator	Diesel	10
4.	Sarjuna Enterprise[(2)]	724	5.0	Transportation service provider	Subcontracted drivers	4
5.	MPI Generali Insurans Berhad	562	3.9	General insurance underwriter	Insurance	2
	Sub-total	**5,522**	**38.1**			
	Total	**14,478**	**100.0**			

No.	Major supplier	Purchase value RM'000	Purchase value %	Nature of business	Products / Services sourced	Length of relationship[(1)] (Years)
FYE 31 December 2021						
1.	CPC Tyre (M) Sdn Bhd	2,864	16.3	Tyres and spare parts supplier	Tyres and spare parts	9
2.	PETRONAS Dagangan Berhad	2,255	12.8	Petroleum products marketer	Diesel	4
3.	Stesyen Minyak Keang Li Sdn Bhd	1,713	9.7	Petrol station operator	Diesel	11
4.	Jana Rezeki Sdn Bhd	1,323	7.5	Touch 'n Go sales agent	Touch 'n Go top up for toll expenses	5
5.	MPI Generali Insurans Berhad	928	5.3	General insurance underwriter	Insurance	3
	Sub-total	**9,083**	**51.6**			
	Total	**17,585**	**100.0**			

No.	Major supplier	Purchase value RM'000	%	Nature of business	Products / Services sourced	Length of relationship[(1)] (Years)
FYE 31 December 2022						
1.	PETRONAS Dagangan Berhad	1,651	9.8	Petroleum products marketer	Diesel	5
2.	Stesyen Minyak Keang Li Sdn Bhd	1,640	9.8	Petrol station operator	Diesel	12
3.	Jana Rezeki Sdn Bhd	1,473	8.8	Touch 'n Go sales agent	Touch 'n Go top up for toll expenses	6
4.	MPI Generali Insurans Berhad	1,356	8.1	General insurance underwriter	Insurance	4
5.	Synergy Fuel Enterprise	723	4.3	Petrol station operator	Diesel	3
	Sub-total	**6,843**	**40.8**			
	Total	**16,780**	**100.0**			

No.	Major supplier	Purchase value RM'000	%	Nature of business	Products / Services sourced	Length of relationship[1] (Years)
FYE 31 December 2023						
1.	Stesyen Minyak Keang Li Sdn Bhd	1,461	9.8	Petrol station operator	Diesel	13
2.	Jana Rezeki Sdn Bhd	1,363	9.1	Touch 'n Go sales agent	Touch 'n Go top up for toll expenses	7
3.	PETRONAS Dagangan Berhad	1,210	8.1	Petroleum products marketer	Diesel	6
4.	Synergy Fuel Enterprise	1,183	7.9	Petrol station operator	Diesel	4
5.	MPI Generali Insurans Berhad[3]	475	3.2	General insurance underwriter	Insurance	5
	Sub-total	**5,692**	**38.1**			
	Total	**14,958**	**100.0**			

Notes:

(1) Length of relationship as at the respective FYE.

(2) We have ceased our business relationship with Sarjuna Enterprise in February 2022 for the sourcing of drivers for the provision of our trucking services. As at LPD, we source all of our own drivers.

(3) Pursuant to the acquisition of MPI Generali Insurans Berhad by Generali Insurance Malaysia Berhad in 2022, the business of MPI Generali Insurans Berhad has been successfully transferred to Generali Insurance Malaysia Berhad effective 1 April 2023. However, there has been no change to the payment method and our Group continues to make payment to MPI Generali Insurans Berhad.

7. BUSINESS OVERVIEW *(Cont'd)*

For the FYE 2020, 2021, 2022 and 2023, our top 5 major suppliers contributed 38.1%, 51.6%, 40.8% and 38.1% of our total purchases for the respective years.

For the FYE 2020, 2021, 2022 and 2023, although PETRONAS Dagangan Berhad accounted for 12.5%, 12.8%, 9.8% and 8.1% of our total purchases for the respective years, we are not dependent on them for the supply of diesel. In the event we are unable to source for diesel from PETRONAS Dagangan Berhad, we are able to source for diesel from other suppliers in the market.

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7.12 OPERATING CAPACITY AND UTILISATION

7.12.1 Trucking services

We provide trucking services mainly by utilising our fleet of commercial vehicles comprising of trucks, prime movers and trailers.

The available capacity, actual usage and utilisation rate for our fleet of commercial vehicles are as follows:

Trucks and prime movers for trucking services

	FYE 2022	FYE 2023
Available capacity[(1)] (Number of trucks and prime movers)	152	154
Actual usage[(2)] (Number of trucks and prime movers)	102	77
Utilisation rate[(3)] (%)	**67.1**	**50.0**

Notes:

(1) The available capacity is calculated based on the number of trucks and prime movers with GPS installed and activated, and are available for the provision of trucking services in the respective FYE 2022 and FYE 2023.

(2) The actual usage is calculated based on the number of trucks and prime movers with GPS installed and activated, that were active in operation for the provision of trucking services in the respective FYE 2022 and FYE 2023. Trucks and prime movers with GPS installed and activated, that were active in operation include the followings:

- 3-ton box trucks, 8-ton box trucks and box truck with tail lift, which travelled an average of at least 23 trips per month in the respective FYE 2022 and FYE 2023. These trucks are generally operating on a daily basis excluding public holidays and certain weekends as well as days whereby the trucks are under maintenance and repair;
- 3-ton refrigerated box trucks, 8-ton refrigerated box trucks and prime movers used for hauling refrigerated box trailers, which travelled an average of at least 9 trips per month in the respective FYE 2022 and FYE 2023. These trucks and prime movers do not have dedicated drivers and are generally operated on an ad-hoc basis;
- prime movers used for hauling 40-ft box trailers, which travelled an average of at least 9 trips with distance of more than 300 km per trip in a month in the respective FYE 2022 and FYE 2023. These prime movers are used for transporting long distance (i.e. more than 300 km) shipments which require longer turnaround time;
- prime movers used for hauling 40-ft box trailers, which travelled an average of at least 15 trips with distance of less than 300 km per trip in a month in the respective FYE 2022 and FYE 2023. These prime movers are used for transporting short distance (i.e. less than 300 km) shipments which take shorter turnaround time; and
- prime movers used for hauling 45-ft box trailers, 55-ft box trailers, curtain sider box trailers and low loader trailer, which travelled for an average of at least 9 trips per month in the respective FYE 2022 and FYE 2023. These prime movers are generally used for transporting long distance (i.e. more than 300 km) shipments which require longer turnaround time.

(3) The utilisation rate is computed by dividing the actual usage against the available capacity.

7.12.2 Container haulage services

We provide container haulage services mainly by utilising our fleet of prime movers, container trailers and sidelifter.

The average available capacity, average actual usage and utilisation rate for our fleet of commercial vehicles are as follows:

Prime movers for container haulage services

	FYE 2022	FYE 2023
Average available capacity(1) (Number of prime movers)	19	21
Average actual usage(2) (Number of prime movers)	15	17
Utilisation rate (3) (%)	**78.9**	**81.0**

Notes:

(1) The average available capacity for FYE 2022 and FYE 2023 respectively is calculated based on the monthly average number of prime movers with GPS installed and activated, that are available for the provision of container haulage services in the respective FYE.

(2) The average actual usage for FYE 2022 and FYE 2023 respectively is calculated based on the monthly average number of prime movers with GPS installed and activated, that were in operation for the provision of container haulage services and have travelled for more than 500 km in a particular month of the respective FYE.

(3) The utilisation rate is computed by dividing the average actual usage against the average available capacity.

7.12.3 Warehousing and distribution services

We provide warehousing and distribution services by utilising the space in our warehouses located in Selangor and Penang.

The capacity, actual usage and utilisation rate for each of our warehouses are as follows:

(a) Shah Alam Warehouse in Selangor

	FYE 2022	FYE 2023
Annual capacity(1)	55,704	62,904
Available capacity (2) (Number of pallets)	55,704	62,904
Actual utilisation(3) (Number of pallets)	52,831	52,650
Utilisation rate (4) (%)	**94.8**	**83.7**

Notes:

(1) The annual capacity for year 2022 and year 2023 respectively is calculated for a full year based on the total number of pallets that can be stored in the warehouse in each month-end from January to December for the respective years. The annual capacity for year 2023 is higher than year 2022 due to the installation of an extra level of racking system in our Shah Alam Warehouse in year 2023.

(2) The available capacity for FYE 2022 and FYE 2023 respectively is calculated based on the total number of pallets that can be stored in the warehouse in each month-end from January to December for the respective FYE.

(3) The actual utilisation is calculated based on the total number of pallets stored, where the total figure is based on the total month-end closing figures of the number of pallets stored in the warehouse from January to December of FYE 2022 and FYE 2023 respectively.

(4) The utilisation rate is computed by dividing the actual utilisation against the available capacity.

(b) Penang Island Warehouse in Penang

	FYE 2022	**FYE 2023(5)**
Annual capacity-(1)	2,880	-
Available capacity(2) (Number of pallets)	480	-
Actual utilisation(3) (Number of pallets)	439	-
Utilisation rate(4) (%)	**91.5**	**-**

Notes:

(1) The annual capacity for year 2022 is calculated based on the total number of pallets which could have been stored for a full year in the warehouse by totalling the number of pallets that can be stored for each month-end from January 2022 to December 2022. The Penang Island Warehouse ceased operations in March 2022 upon expiration of its tenancy.

(2) As we ceased the operations of our Penang Island Warehouse in March 2022 upon the expiration of its tenancy, the available capacity of the warehouse in FYE 2022 is calculated based on the total number of pallets that can be stored in the warehouse in each month-end from January 2022 to February 2022.

(3) The actual utilisation is calculated based on the total number of pallets stored, where the total figure is based on the total month-end closing figures of the number of pallets stored in the warehouse from January 2022 to February 2022.

(4) The utilisation rate is computed by dividing the actual utilisation against the available capacity.

(5) As the Penang Island Warehouse ceased operations in March 2022, the utilisation rate for the warehouse for FYE 2023 is not applicable.

Following the cessation of operations of our Penang Island Warehouse, we commenced the operations of our Bukit Mertajam Warehouse and Butterworth Warehouse in March 2022 as well as Bukit Minyak Warehouse in December 2022. The capacity, actual usage and utilisation rate of the Bukit Mertajam Warehouse, Butterworth Warehouse and Bukit Minyak Warehouse for FYE 2022 and 2023 are as follows:

(c) Bukit Mertajam Warehouse in Penang

	FYE 2022	FYE 2023
Annual capacity[(1)]	31,405	35,232
Available capacity[(2)] (Number of pallets)	26,384	35,232
Actual utilisation[(3)] (Number of pallets)	10,781	31,702
Utilisation rate[(4)] (%)	**40.9**	**90.0**

Notes:

(1) The annual capacity for year 2022 and year 2023 respectively is calculated based on the total number of pallets which could have been / can be stored for a full year in the warehouse by totalling the number of pallets that can be stored in each month-end from January to December for the respective years. The Bukit Mertajam Warehouse commenced operations in March 2022. From January 2022 to September 2022, the ambient part of our Bukit Mertajam Warehouse (i.e. the warehouse comprised both ambient space and cold room facility prior to the renovation)was under renovation progressively to convert the entire warehouse to have full cold room facility (i.e. comprising chilled, freezer and/or air-conditioned room), whereby the affected storage space was not available for storage of goods during the said period, which led to lower capacity for these 9 months in year 2022. As such, our Bukit Mertajam Warehouse had lower overall annual capacity in year 2022 as compared to year 2023.

(2) As the Bukit Mertajam Warehouse commenced operations since March 2022, the available capacity of the warehouse for FYE 2022 is calculated based on the total number of pallets that can be stored in the warehouse in each month-end from March 2022 to December 2022. On the other hand, the available capacity of the warehouse for FYE 2023 is calculated based on the total number of pallets that can be stored in each month-end from January 2023 to December 2023.

(3) The actual utilisation for FYE 2022 is calculated based on the total number of pallets stored, where the total figure is based on the total month-end closing figures of the number of pallets stored in the warehouse from March 2022 to December 2022. On the other hand, the actual utilisation for FYE 2023 is calculated based on the total number of pallets stored, where the total figure is based on the total month-end closing figures of the number of pallets stored in the warehouse from January 2023 to December 2023.

(4) The utilisation rate is computed by dividing the actual utilisation against the available capacity.

(d) Butterworth Warehouse in Penang

	FYE 2022	FYE 2023
Annual capacity[(1)]	2,460	2,760
Available capacity[(2)] (Number of pallets)	2,000	2,760
Actual utilisation[(3)] (Number of pallets)	1,282	1,506
Utilisation rate[(4)] (%)	**64.1**	**54.6**

Notes:

(1) The annual capacity for year 2022 and year 2023 respectively is calculated based on the total number of pallets which could have been / can be stored for a full year in the warehouse by totalling the number of pallets that can be stored in each month-end from January to December for the respective years. The Butterworth Warehouse commenced operations in March 2022. From September 2022 to October 2022, part of our Butterworth Warehouse was under renovation to build an additional cold room facility within the warehouse, whereby the affected storage space was not available for storage of goods during the said period, which led to lower capacity for these 2 months in year 2022. As such, our Butterworth Warehouse had lower overall annual capacity in year 2022 as compared to year 2023.

(2) As the Butterworth Warehouse commenced operations since March 2022, the available capacity of the warehouse for FYE 2022 is calculated based on the total number of pallets that can be stored in the warehouse in each month-end from March 2022 to December 2022. On the other hand, the available capacity of the warehouse for FYE 2023 is calculated based on the total number of pallets that can be stored in each month-end from January 2023 to December 2023.

(3) The actual utilisation for FYE 2022 is calculated based on the total number of pallets stored, where the total figure is based on the total month-end closing figures of the number of pallets stored in the warehouse from March 2022 to December 2022. On the other hand, the actual utilisation for FYE 2023 is calculated based on the total number of pallets stored, where the total figure is based on the total month-end closing figures of the number of pallets stored in the warehouse from January 2023 to December 2023.

(4) The utilisation rate is computed by dividing the actual utilisation against the available capacity.

(e) Bukit Minyak Warehouse in Penang

	FYE 2022	FYE 2023
Annual capacity[(1)]	20,820	20,820
Available capacity[(2)] (Number of pallets)	1,735	20,820
Actual utilisation[(3)] (Number of pallets)	59	2,938
Utilisation rate[(4)] (%)	**3.4**	**14.1**

Notes:

(1) The annual capacity for year 2022 and year 2023 respectively is calculated based on the total number of pallets which could have been / can be stored for a full year in the warehouse by totalling the number of pallets that can be stored in each month-end from January to December for the respective years. The Bukit Minyak Warehouse commenced operations in December 2022.

(2) As the Bukit Minyak Warehouse commenced operations since December 2022, the available capacity of the warehouse for FYE 2022 is calculated based on the number of pallets that can be stored in the warehouse in the month-end of December 2022. On the other hand, the available capacity of the warehouse for FYE 2023 is calculated based on the total number of pallets that can be stored in each month-end from January 2023 to December 2023.

(3) The actual utilisation for FYE 2022 is calculated based on the number of pallets that were stored in the warehouse in the month-end of December 2022. It should be noted that operations only commenced in December 2022 which explains the low utilisation rate for FYE 2022. On the other hand, the actual utilisation for FYE 2023 is calculated based on the total number of pallets stored, where the total figure is based on the total month-end closing figures of the number of pallets stored in the warehouse from January 2023 to December 2023.

(4) The utilisation rate is computed by dividing the actual utilisation against the available capacity.

Further, in November 2023, we commenced the operations of our Port Klang Warehouse in Selangor. The capacity, actual usage and utilisation rate of the Port Klang Warehouse for FYE 2023 is as follows:

(f) Port Klang Warehouse in Selangor

	FYE 2022[(1)]	**FYE 2023**
Annual capacity[(2)]	-	68,544
Available capacity[(3)] (Number of pallets)	-	11,424
Actual utilisation[(4)] (Number of pallets)	-	11,424
Utilisation rate[(5)] (%)	**-**	**100.0**

Notes:

(1) As the Port Klang Warehouse commenced operations in November 2023, the utilisation rate of the warehouse for FYE 2022 is not applicable.

(2) The annual capacity for year 2023 is calculated based on the total number of pallets which could have been stored for a full year in the warehouse by totalling the number of pallets that can be stored in each month-end from January 2023 to December 2023. The Port Klang Warehouse commenced operations in November 2023.

(3) As the Port Klang Warehouse commenced operations in November 2023, the available capacity of the warehouse for FYE 2023 is calculated based on the total number of pallets that can be stored in the warehouse in each month-end from November 2023 to December 2023.

(4) The actual utilisation for FYE 2023 is calculated based on the total number of pallets stored, where the total figure is based on the total month-end closing figures of the number of pallets stored in the warehouse from November 2023 to December 2023.

(5) The utilisation rate is computed by dividing the actual utilisation against the available capacity. The Port Klang Warehouse had a 100.0% utilisation rate in FYE 2023 due to a short term booking placed by our customer to occupy our entire available warehouse space from November 2023 to December 2023.

7.13 RESEARCH AND DEVELOPMENT

We do not carry out any research and development activities as it is not relevant to the nature of our business.

7.14 COMPETITIVE STRENGTHS

7.14.1 We have extensive airport coverage across Peninsular Malaysia, Singapore and Thailand for the provision of airport-to-airport road feeder services

Our Group covers an extensive network of airports for the provision of airport-to-airport road feeder services across Peninsular Malaysia, Singapore and Thailand. As at LPD, the service routes that we currently operate on a regular basis for airport-to-airport road feeder services cover 4 airports comprising of 3 airports in Peninsular Malaysia and 1 airport in Singapore. We also offer airport-to-airport road feeder services to other airports on an ad-hoc basis such as Langkawi International Airport and Senai International Airport in Malaysia as well as Phuket International Airport, Suvarnabhumi Airport, Don Mueang International Airport and U-Tapao-Rayong-Pattaya International Airport in Thailand. Please refer to Section 7.2.1.1(a) for details on our service routes for the provision of our airport-to-airport road feeder services.

Our extensive coverage of airports across Peninsular Malaysia, Singapore and Thailand supports cargo airlines and passenger airlines in transporting cargo to airports when there is no timely connections or limited cargo space on flights, so that the cargo can be transferred faster to the final destination airport or to the next transit airport for its connecting flight to the final destination airport, bringing greater connectivity to our customers.

In addition, we believe that our extensive airport coverage will bring assurance and help our customers in managing their business in terms of logistics management, thus ensuring the demand for our airport-to-airport road feeder services. This will in turn contribute to the growth of our trucking business in Malaysia as well as continue to enhance our standing among the cargo airlines and passenger airlines as well as airports across Peninsular Malaysia, Singapore and Thailand.

7.14.2 We own and operate a wide and diverse range of commercial vehicles, ensuring greater control over our business operations, increasing delivery efficiency and enabling us to carry cargo and containers of various types and sizes

Our fleet of commercial vehicles is the backbone of our Group's business. As at LPD, our Group owns and operates 461 commercial vehicles for the provision of our trucking, container haulage, warehousing and distribution as well as other logistics-related businesses.

By owning these commercial vehicles to support our services, we have greater control over our operations in terms of service availability, delivery and scheduling. It also allows us to ensure that our customers' goods are delivered on-time according to the required schedule and level of service quality. In addition, it also allows us to reduce our dependency on third party road haulage service providers.

Further, having a diverse range of commercial vehicles also allows us to carry cargo and containers of different types and sizes in accordance to customers' requirements. We are equipped with commercial vehicles of different types and load capacities, ranging from delivery van which is used for our express delivery services to carry small items such as documents and parcels to low loader trailer which is used for carrying large, odd-size and/or heavy machinery and equipment. We also have commercial vehicles which can be used for carrying general cargo as well as temperature-controlled goods (i.e. refrigerated box trucks and refrigerated box trailers) when required. Some of our commercial vehicles are also equipped with rollers which are suitable for carrying ULDs of different types and dimensions for the provision of our airport-to-airport road feeder services. Additionally, some of our commercial vehicles primarily our prime movers and trailers are installed with air suspension system to reduce bouncing over uneven surfaces on the road and minimise the risk of cargo damage. Please refer to Section 7.2.4 for further details on our fleet of commercial vehicles.

Our Group believes that having a diverse range of commercial vehicles is one of the significant elements driving the success of our Group's business as it provides a strong foundation for the continuing growth and sustainability of our business.

7.14.3 We provide comprehensive logistics-related services which complement our trucking business and provide greater efficiency and convenience to our customers

Our Group primarily provides trucking services to our customers, comprising airport-to-airport road feeder services and point-to-point trucking services which covers an extensive network of service routes across Peninsular Malaysia, Singapore and Thailand. Further, our trucking services are also able to cater for customers' project cargo needs in carrying large, odd-size and/or heavy equipment or machinery.

In addition to our trucking services, we also provide multiple logistics-related services across the logistics industry value chain such as container haulage services, warehousing and distribution services, licensed brokerage and forwarding services, express delivery services and cargo escort services which are complementary to our trucking services. By offering a comprehensive range of logistics-related services, we are able to attract and target a diversified range of customers with various logistical needs and requirements. Our comprehensive service offerings also bring greater efficiency and convenience to our customers as they do not need to engage with multiple parties for their transportation or logistics needs.

With the provision of a comprehensive logistics related services together with our trucking services, our Group can thus expand our revenue stream as well as improve our financial performance which will in turn drive our business growth.

7.14.4 We have an established history and proven track record with about 30 years of experience in the logistics and warehousing industry

We have an established history and proven track record of about 30 years where we have successfully grown our business from our trucking services to providing more services covering container haulage services, warehousing and distribution services, licensed brokerage and forwarding services, express delivery services and cargo escort services. We have also obtained the IILS status in 2016. Further, we have gradually expanded our warehousing and distribution business throughout the years since 1995 and the contribution of our warehousing and distribution services to our revenue has been increasing from 6.4% in FYE 2020 to 15.7% in FYE 2023. To facilitate the continued growth and development of our warehousing and distribution business, we intend to establish an additional warehouse in Penang. Please refer to Section 7.15.1 for further details on the expansion of our warehousing and distribution business.

The continued success and growth of our Group is attributable to our extensive experience and industry insights gained throughout the years as well as our ability to cultivate strong and long-term business relationships with our customers. Further, our experience and industry insights have also played an important role in our business development activities and in identifying market demand to continuously expand our services and solutions offering. Moreover, our relevant knowledge and experience in the aviation industry gained via serving our customers who are cargo and/or passenger airlines also facilitate us in addressing customers' airport-to-airport road feeder service requirements such as arranging the right commercial vehicle for the transportation of various types and dimensions of customers' ULDs.

Our ability in securing and retaining our customers is a testament to our proven track record. We pride ourselves as an integrated logistics service provider, helping our customers to plan, manage and deliver their cargo to their designated destinations, ensuring there are no delays in their shipments.

As a recognition of our business achievement, we have received various awards for our business over the years. We were awarded, among others, the "Best Operator for Freight Category A" by SPAD in 2014 and the "Service Provider of the Year" by Customer C in 2018, 2020, 2021, 2022 and 2023, which are a testament to our growth in the logistics and warehousing industry in Malaysia. Please refer to Section 7.1 for further details of the awards received by our Group.

Moving forward, our long-standing history and track record in the logistics and warehousing industry will provide confidence to our customers, in terms of our capabilities and quality in the provision of our services, which will in turn support the growth of our business.

7.14.5 We perform in-house maintenance and repair works to ensure efficient utilisation of commercial vehicle capacity as a result of reduced commercial vehicle downtime

Our Group understands the importance of ensuring our fleet of commercial vehicles are in good running condition at all times for efficient utilisation of commercial vehicle capacity and the timeliness for the transportation of our customers' cargo in which such shipments are generally time critical.

As such, we have an in-house vehicle maintenance team comprising skilled mechanics with expertise and technical skills in performing service, diagnostics, recalibration, reprogramming and repairs on commercial vehicles to perform the maintenance and repair works for our commercial vehicles stationed in Selangor as well as major repair works for our commercial vehicles stationed in Penang instead of depending on third party service providers. Our Shah Alam Workshop has the necessary equipment to facilitate us in carrying out the maintenance and repair works for our commercial vehicles more efficiently and promptly. As at LPD, we have approximately 1,760 stock-keeping units of spare parts stored at our Shah Alam Office 2, comprising among others, filters, valves, gears and shock absorbers.

By performing maintenance and repair for our commercial vehicles internally, we are able to minimise operational downtime by providing us with a faster turnaround time to carry out scheduled / unscheduled repair and maintenance works as and when required as we are less susceptible to external factors such as unavailability of mechanics, long queue time or limited servicing hours. We are also able to minimise our cost of maintenance and prolong the useful life of our commercial vehicles by carrying our regular maintenance and repair, as our in-house vehicle maintenance team is responsible to monitor the usage of commercial vehicles and scheduling maintenance programme which in turn minimises the need to replace our commercial vehicles and thus, reduces our capital expenditure. Moreover, we also benefit from fulfilling our customers' shipments on a timely manner and prevent any significant delays.

Maintenance, minor repair works and tyre alignment work for our commercial vehicles stationed in Penang and tyre alignment work for our commercial vehicles stationed in Selangor are outsourced to third party workshops.

7.14.6 We have experienced Managing Director, Executive Directors and key senior management team with substantial industry experience

Our Group is led by our Managing Director, Executive Directors and key senior management team that have accumulated years of experience in their respective field and key expertise, industry experience and/or in-depth knowledge of our business operations.

Our Managing Director, Alan Ong Lay Wooi, has about 22 years of experience in the logistics industry. His technical and industry knowledge is instrumental in steering the overall strategic direction and business development of our Group. He is supported by our Executive Directors and an experienced key senior management team comprising:

Name	Designation	Years of relevant working experience
Angeline Ong Lay Shee	Executive Director	17
Adeline Ong Lay Suen	Executive Director	8
Ameline Ong Lay Ling	General Manager	10
Ong Yit Hwa	Deputy General Manager (Northern Region)	31
See Ai Lian	Financial Controller	9
Tan Pei Wun	Finance Manager	13

Our Executive Directors and key senior management have in-depth knowledge and capabilities as a result of years of experience in their respective fields. Further, each of our Executive Directors and key senior management takes an active, hands-on role in spearheading their respective departments to support the growth of our Group. Their hands-on involvement in our Group demonstrates their strong commitment to our growth as we continue to expand our business.

7.14.7 We have been granted the AEO status by the RMCD which brings benefits to the business operations of our Group

Our Group understands the importance of maintaining high standards of compliance and security in order to ensure smooth and secure movement of goods. In recognition of the high compliance level and high security management our Group has achieved in accordance to the prescribed requirements and criteria set by the RMCD, we were granted approval for the AEO status by the RMCD effective 9 March 2023. This status is granted to operators involved in the movement of goods along the international trade supply chain who have achieved the required security standards across their business activities.

Based on publicly available information, as at LPD, there are approximately 52 logistics service providers who have been granted the AEO status by the RMCD.

The AEO status offers our Group with several benefits which include easier accessibility to customs simplifications and enhanced supply chain efficiency. AEOs may benefit from simplified customs procedures including reduced documentation requirements and priority treatment for inspections which can thus speed up the customs clearance process, reduce waiting times and expedite the movement of goods. As such, these benefits will serve to support the growth of our business and facilitate smooth movement of goods.

With the attainment of the AEO status, this demonstrates our Group's commitment to compliance, security and best practices which can thus strengthen our business reputation as well as instil confidence in our customers and the relevant government authorities.

7.15 BUSINESS STRATEGIES AND PROSPECTS

7.15.1 We intend to expand our warehousing and distribution business through the establishment of a new warehouse

As at LPD, we operate 5 warehouses, located in Shah Alam and Port Klang, Selangor, as well as Bukit Mertajam, Butterworth and Bukit Minyak, Penang. In view of the growth of our warehousing and distribution services as reflected in our Group's revenue in the FYE 2020, 2021, 2022 and 2023 as well as the increasing demand for warehousing facilities and storage services in Malaysia, we intend to expand our warehousing and distribution business through the establishment of an additional new warehouse in Penang. During the FYE 2020, 2021, 2022 and 2023, our revenue from our warehousing and distribution services increased from RM2.8 million in FYE 2020 to RM8.2 million in FYE 2023 at a CAGR of 43.1%.

According to the IMR Report, the logistics and warehousing industry in Malaysia began to recover in 2021 with a YOY of 1.35%, and subsequently recorded a significant YOY growth of 30.83% to RM55.80 billion in 2022, exceeding the pre-COVID-19 level of RM53.63 billion in 2019, indicating strong recovery in the sector. In 2023, the logistics and warehousing industry continued to grow at a YOY of 13.80% to RM63.50 billion. According to Bank Negara Malaysia, the Malaysian economy is predicted to grow between 4.00% and 5.00% in 2024, supported by continued expansion in domestic demand and improvement in external demand. Premised on this, it is expected that the logistics and warehousing industry will continue to grow to support the continuous growth in Malaysia's overall economy.

Further, we expect to have increasing demand for large warehouse storage space from new potential customers, particularly multinational companies in the northern region of Peninsular Malaysia. Additionally, in view that our Bukit Mertajam Warehouse has reached a utilisation rate of 90.0% in FYE 2023 and our Butterworth Warehouse and Bukit Minyak Warehouse may be insufficient in size to accommodate the expected demand for large warehouse space in the future, our Group plans to establish an additional new warehouse in Penang.

In June 2023, we entered into a sale and purchase agreement for the purchase of the Valdor Office and Warehouse. The Valdor Office and Warehouse has a total built-up area of approximately 164,000 sq ft and an annual capacity for Valdor Warehouse of approximately 192,000 pallets. The Valdor Office and Warehouse will be used for our warehousing and distribution services catering to customers located in the northern region of Peninsular Malaysia.

The Valdor Warehouse is a built-to-suit warehouse and as at LPD, earthworks have been commissioned by the developer for the construction of the new warehouse. The construction of the Valdor Office and Warehouse is expected to be completed within 36 months upon the signing of the sale and purchase agreement. Subsequently, we expect to commence operation by fourth quarter of 2026.

The total purchase consideration of the Valdor Office and Warehouse is RM70.6 million (including incidental expenses such as legal costs, stamp duty and memorandum of transfer of RM3.0 million) whereby RM4.0 million has been funded internally by our Group. We intend to allocate RM3.0 million from our IPO proceeds to defray the incidental expenses. The balance purchase price of RM63.6 million will be funded via bank borrowings which we have obtained from Hong Leong Islamic Bank Berhad.

In addition, we also plan to invest in racking system to be placed in the Valdor Office and Warehouse. The total cost of the racking system is expected to be approximately RM7.0 million which will be fully funded via IPO proceeds. Please refer to Section 4.9.1 of this Prospectus for further details on the utilisation of proceeds.

The purchase of the Valdor Office and Warehouse will provide us with more storage space in addition to our existing 5 warehouses located in Selangor and Penang, which will enable us to serve more and/or larger orders from both our existing customers and potential customers in the central and northern regions of Peninsular Malaysia through our existing and new warehouses. With more storage space, we expect that we can better market our warehousing and distribution services under the Valdor Office and Warehouse, which will lead to an increase in revenue of our warehousing and distribution services moving forward.

7.15.2 We intend to grow our trucking and container haulage businesses through the expansion of our fleet of commercial vehicles

As at LPD, we own and operate a total of 461 commercial vehicles comprising trucks, prime movers, trailers, delivery vans and cargo escort vehicles for our business operations. As part of our strategy to continue growing our trucking and container haulage businesses, we will need more commercial vehicles in order to increase our capacity for the transportation of more cargo and containers.

As such, we intend to purchase 100 commercial vehicles by 2025 based on our Group's estimated requirements. These commercial vehicles are similar to the ones that we currently own and operate to provide our trucking and container haulage services. Details of the 100 commercial vehicles are as follows:

Commercial vehicles	**Units**
Provision of trucking services	
Prime mover	8
Low loader trailer	2
Provision of container haulage services	
Prime mover	15
20-ft container trailer	25
40-ft container trailer	48
Sidelifter	2
Total	**100**

The total cost of the 100 commercial vehicles are estimated to be RM8.0 million. We intend to allocate RM2.0 million of the proceeds for the purchase of commercial vehicles and the balance of RM6.0 million will be funded from our internally-generated funds and/or bank borrowings. Please refer to Section 4.9.1 for further details on the utilisation of proceeds.

7.15.3 Prospects of our Group

With a keen focus on the logistics and warehousing industry as well as the trucking industry, we believe that our Group's prospects are favourable, grounded in the careful consideration of our competitive strengths highlighted in Section 7.14, our business strategies as set out above, as well as the industry outlook of the IMR Report presented below.

The logistics and warehousing industry plays an important role in supporting trade activities, as the transportation of goods across domestic and international borders accelerates convergence with global supply chains and helps key export industries connect with international markets. After a YOY decline of 3.26% in 2020 due to the impact from the COVID-19 pandemic, Malaysia's external trade (comprising total imports and total exports) increased from RM1.78 trillion in 2020 to RM2.84 trillion in 2022, at a CAGR of 26.31%. Such recovery in Malaysia's external trade contributed to increased demand for logistics and warehousing services, including demand for trucking services. In 2023, Malaysia's external trade recorded a 7.04% YOY decline to RM2.64 trillion. This was in tandem with slower global demand, lower commodity prices, geopolitical uncertainties, high inflation rate, downcycle in the semiconductor sector and high base effect in 2022. According to the Economic Outlook 2024 published by Ministry of Finance Malaysia, Malaysia's external trade is forecast to increase by 5% in 2024, which is in line with the anticipated recovery of global trade at 3.3% as announced by the World Trade Organization.

Within the manufacturing sector, the E&E industry is the largest sub-segment with a contribution of approximately 27.01% to the GDP from the manufacturing sector in 2023, thereby being acknowledged as one of the pillars of Malaysia's economy. Additionally, export of E&E products is also one of the major factors driving the recovery of Malaysia's external trade in 2023, with its contribution to total exports at approximately 40.24% and to total external trade at 21.80%. The GDP from the E&E industry and exports of E&E products registered positive growth at a CAGR of 6.80% and 8.56% respectively, from 2018 to 2023.

The anticipated growth of the E&E industry and the exports of E&E products will not only drive the logistics and warehousing industry as a whole, but will particularly benefit the air freight industry as E&E products are generally high-value items and commonly transported through air freight. This will in turn create demand for trucking services, including airport-to-airport road feeder services and point-to-point trucking services, to facilitate the movement of E&E products between and to/from airports.

E-commerce has become a significant retail channel for a wide range of goods spanning from daily necessities, apparels, consumer electronic products, household items, automotive spare parts and furniture, amongst others. E-commerce not only facilitates domestic purchases; but also cross-border transactions globally as consumers are able to purchase goods from overseas sellers through e-commerce platforms. Air freight and sea freight services thus serve as an important supporting service to e-commerce through the transportation of goods from the origin airport/seaport (of sellers) to the destination airport/seaport (of buyers). Following which, trucking plays a pivotal role in transporting these goods from the destination airport/seaport to warehouses for onward sorting and last mile transportation to the buyers. Further, airport-to-airport road feeder services are also essential in transporting e-commerce goods between airports.

The e-commerce market in Malaysia, represented by sales value, grew from RM10.29 billion in 2018 to RM31.09 billion in 2023 at a CAGR of 24.75%. The growth of the e-commerce market since 2020 was boosted by the COVID-19 pandemic as more consumers switched to online shopping in view of movement restrictions imposed and reduced shopping in physical stores to minimise the risk of infection. As consumers continue adopting online shopping despite the subsidence of the COVID-19 pandemic, the demand for trucking services is expected to increase to support the continued growth in e-commerce activities.

(Source: IMR Report)

7.16 DEPENDENCY ON CONTRACTS, AGREEMENTS OR OTHER ARRANGEMENTS

Our Group is not materially dependent on any contracts, agreements or other arrangements that could materially affect our business and profitability as at LPD.

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7.17 CERTIFICATIONS AND ACCREDITATIONS

As at LPD, we have been accredited with the following certifications and accreditations:

Certification / Accreditation	Location	Certification scope	Certification / Accreditation body	First certification / Accreditation obtained date	Current validity period
ISO 9001:2015	Shah Alam Office and Warehouse	Provision of bonded and non-bonded transportation, warehousing, container haulage and courier services.	LRQA Limited	27 December 2001	27 December 2022 – 26 December 2025
	Bukit Mertajam Office and Warehouse	Provision of bonded and non-bonded transportation and warehousing services.			
IILS status [(1)]	Not applicable	Not applicable	MIDA	31 October 2016	Not applicable
GDPMD [(2)]	Shah Alam Office and Warehouse	Storage and handling, warehousing, distribution and documentation including traceability of single-use devices.	*TÜV SÜD* (Malaysia) Sdn Bhd	8 January 2019	1 December 2022 – 7 January 2025
AEO status [(3)]	Not applicable	Not applicable	RMCD	9 March 2023	Not applicable

Notes:

(1) The IILS status was awarded to our Group as we have satisfied the key criteria or requirements which include, amongst others:

- Undertaking the activities of delivery, transportation and warehousing as well as at least one value-added activity (i.e. distribution);
- Managing warehouse facility with area of at least 5,000 sqm and transport facility of at least 20 units of commercial vehicles;
- Use Malaysia as a hub for logistics supply chain services in the region;
- Demonstration of good networks with logistics service providers abroad and high usage of information and communications technology in the logistics supply chain and value-added service; and
- Attended the compulsory Customs Agent course conducted by the RMCD.

The IILS status provides a competitive advantage to our Group such as optimising international logistics processes, reducing costs, and improving our ability to serve customers globally. In the event if our IILS status is revoked or terminated, we do not foresee any material adverse impact to our business operations. Nonetheless, the loss of the IILS status may result in disruption to our supply chain operations, increased logistics costs, and potential delays in customs clearance.

(2) Holding a GDPMD certification gives our Group a competitive edge in attracting customers who need transportation and/or storage services for pharmaceutical and/or medical goods. These customers typically prefer a logistics service provider with GDPMD certification over one without it. In the event if our Group's GDPMD certification is suspended or not renewed upon expiry, we do not foresee any significant impact to our business operations although we may be exposed to the risk of losing out on customers who prefer logistics service providers with such GDPMD certification.

(3) The AEO status was awarded to our Group as we have satisfied the key criteria or requirements which include, amongst others:

- Being involved in importation, exportation and movement of goods;
- Have been in operation in Malaysia for at least 3 years;
- Have fulfilled the security requirements based on World Customs Organization (WCO) SAFE Framework of Standards;
- Have the capability to submit declaration of goods and payments of duties / taxes electronically;
- Compliance with customs-related laws and regulations;
- Maintaining a reliable and satisfactory system for management of commercial records; and
- Have demonstrated financial solvency and stability.

In the event if our Group's AEO status is suspended, revoked or terminated, we do not foresee any significant impact to our business operations although we may be exposed to the risk of losing out on customers who prefer logistics service providers with AEO status.

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SMITH ZANDER

Date: 1 April 2024

The Board of Directors

Sin-Kung Logistics Berhad
Lot 1928, Jalan Bukit Kemuning
40460 Shah Alam
Selangor

Dear Sirs/ Madams,

Independent Market Research Report on the Logistics and Warehousing Industry in Malaysia and Trucking Industry in Malaysia and Singapore ("IMR Report")

This IMR Report has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER") for inclusion in the Prospectus in conjunction with the listing of Sin-Kung Logistics Berhad on the ACE Market of Bursa Malaysia Securities Berhad.

The objective of this IMR Report is to provide an independent view of the industry in which Sin-Kung Logistics Berhad and its subsidiaries ("Sin-Kung Group") operate and to offer a clear understanding of the industry and market dynamics. As Sin-Kung Group is an integrated logistics service provider principally involved in the provision of trucking services, with a focus on airport-to-airport road feeder services in Malaysia and Singapore, the scope of work for this IMR Report will thus address the following areas:

(i) Overview of the logistics and warehousing industry in Malaysia;

(ii) The trucking industry in Malaysia;

(iii) Competitive overview of the logistics, warehousing and trucking industry in Malaysia; and

(iv) The trucking industry in Singapore.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this IMR Report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this IMR Report. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies mentioned in this report or otherwise.

For and on behalf of SMITH ZANDER:

DENNIS TAN TZE WEN
MANAGING PARTNER

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The research for this IMR Report was completed on 26 March 2024.

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About SMITH ZANDER INTERNATIONAL SDN BHD

SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.

Profile of the signing partner, Dennis Tan Tze Wen

Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has over 26 years of experience in market research and strategy consulting, including over 21 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.

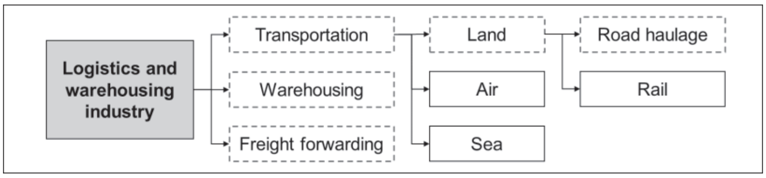
1 OVERVIEW OF THE LOGISTICS AND WAREHOUSING INDUSTRY IN MALAYSIA

Logistics is a part of supply chain management, and is a process of planning, implementing and controlling procedures for the movement and storage of goods between the point of origin and the point of destination. The logistics and warehousing industry is pivotal in supporting growth in economic activities as it facilitates the transportation of goods across international borders as well as domestically.

The logistics and warehousing industry typically encompasses transportation, warehousing and freight forwarding.

Sin-Kung Group is an integrated logistics service provider, principally involved in the provision of trucking services with a focus on airport-to-airport road feeder services; as well as container haulage services, warehousing and distribution services, and other logistics-related services.

Segmentation of the logistics and warehousing industry



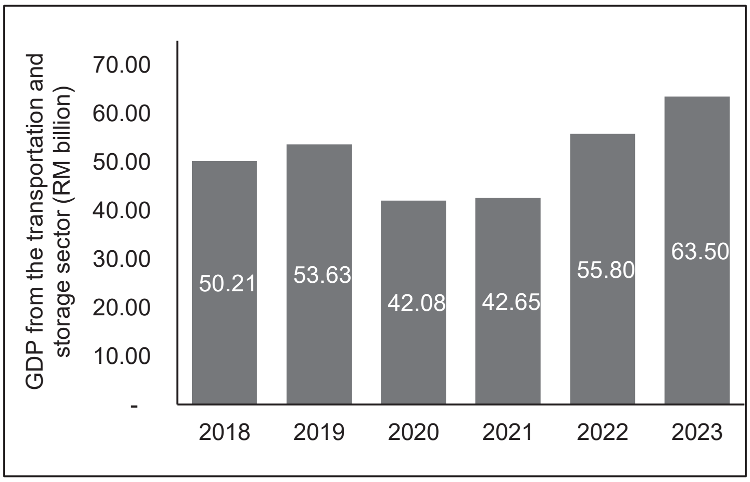
Note:
denotes the industry segments which Sin-Kung Group is involved in.

Source: SMITH ZANDER

The performance of the logistics and warehousing industry in Malaysia, measured by the gross domestic product ("GDP") from the transportation and storage sector, recorded a year-on-year ("YOY") decline of 21.54% in 2020 that was mainly attributable to the grounding of passenger aircraft operations during the COVID-19 pandemic.

The logistics and warehousing industry began to recover in 2021 with a YOY of 1.35%, and subsequently recorded a significant YOY growth of 30.83% to RM55.80 billion in 2022, exceeding the pre-COVID-19 level of RM53.63 billion in 2019, indicating strong recovery in the sector. In 2023, the logistics and warehousing industry continued to grow at a YOY of 13.80% to RM63.50 billion.

Performance of the logistics and warehousing industry (Malaysia), 2018 – 2023



Source: Department of Statistics Malaysia ("DOSM")

2 THE TRUCKING INDUSTRY IN MALAYSIA

As Sin-Kung Group is principally involved in the provision of trucking services in Malaysia as part of its integrated logistics services, this section will focus on the trucking industry in Malaysia.

2.1 OVERVIEW

Trucking, also known as road haulage, refers to the transportation of cargo by road using trucks, such as dry box trucks, refrigerated box trucks, flat-bed trucks and container trucks (also known as prime movers operated together with trailers). Road haulage is used by businesses to transport heavy, large-sized, large volume and/or bulk cargo over a distance by road. Road haulage is flexible in carrying all types of cargo, including general cargo, project cargo and dangerous goods, with fewer restrictions and regulatory procedures in handling the cargo in comparison to air freight and ocean freight. Road haulage is also an economical choice of logistics especially for transportation of cargo over short distances.

In a cargo transportation network, road haulage is used to transport cargo from point to point, and can be broadly segmented into 3 categories, namely airport-to-airport road feeder services, point-to-point trucking services and container haulage services.

(i) Airport-to-airport road feeder services

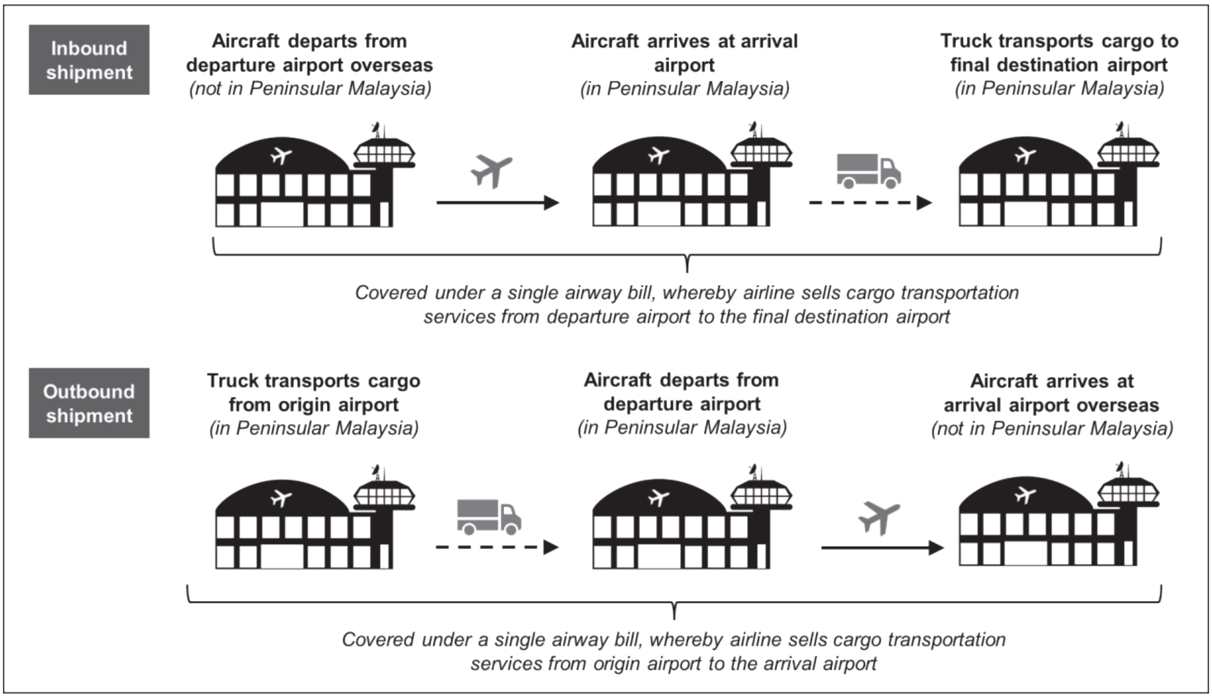
Airport-to-airport road feeder services, also known as truck flight services, are trucking services involving transportation of cargo between airports. It is essential in assisting airlines to extend their connectivity and network of coverage for cargo transportation.

In Malaysia, airport-to-airport road feeder services are undertaken to facilitate inbound and outbound shipments as well as transhipments.

In the context of inbound shipment to, and outbound shipment from, Peninsular Malaysia (in which Sin-Kung Group is principally operated), airport-to-airport road feeder services can be undertaken in the following scenarios:

- For inbound shipment to Peninsular Malaysia, airport-to-airport road feeder services can be used to transport cargo from an arrival airport in Peninsular Malaysia to a final destination airport in Peninsular Malaysia.
- For outbound shipment from Peninsular Malaysia, airport-to-airport road feeder services can be used to transport cargo from an origin airport in Peninsular Malaysia to a departure airport in Peninsular Malaysia.

Airport-to-airport road feeder services for inbound and outbound shipments

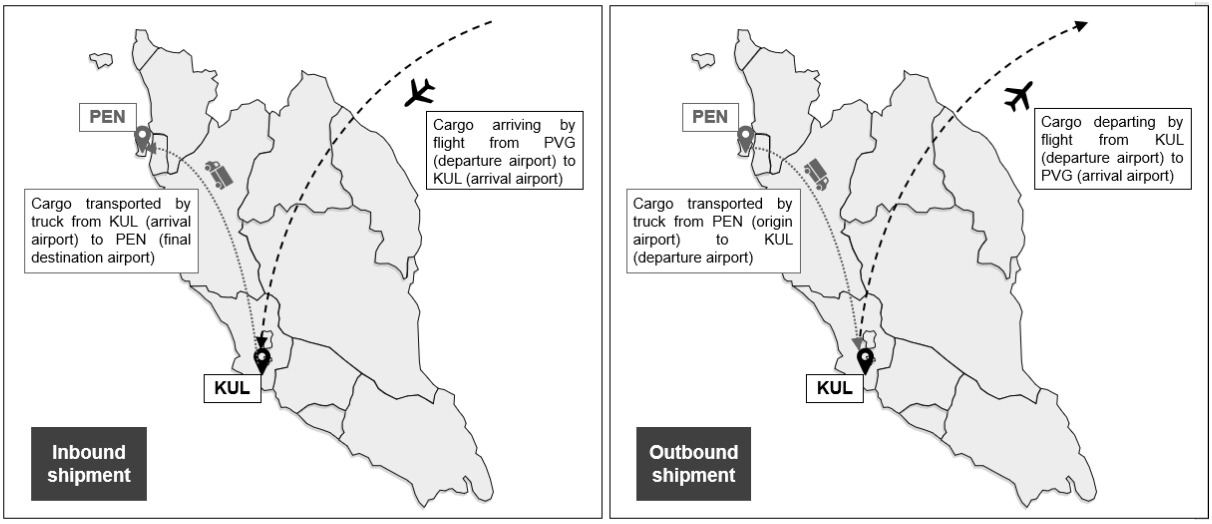


The diagram below demonstrates the expanded connectivity of a foreign-based airline in Malaysia through airport-to-airport road feeder services provided by trucking service providers. For illustration purposes, this foreign-based airline operates flights between an airport in its home country (i.e. Shanghai Pudong International Airport ("PVG")) and an airport in Malaysia (i.e. Kuala Lumpur International Airport ("KUL" or "KLIA")). However it sells cargo transportation services from PVG to KUL, and also to Penang International Airport ("PEN") which it does not operate flight services to, and vice-versa (i.e. from PEN and KUL to PVG).

For inbound shipment to Malaysia bound for PEN, the foreign-based airline carries cargo through air freight from PVG (departure airport) to KUL (arrival airport), and thereafter engages trucking service providers to carry the cargo to PEN (final destination airport) under airport-to-airport road feeder services. In essence, the airport-to-airport road feeder services is an extension of the airline's flight services for the cargo bound for PEN. Conversely, for outbound shipment from PEN, the foreign-based airline engages trucking service providers to carry the cargo from PEN (origin airport) under airport-to-airport road feeder services to KUL (departure airport) and thereafter the airline carries the cargo through air freight to PVG (arrival airport).

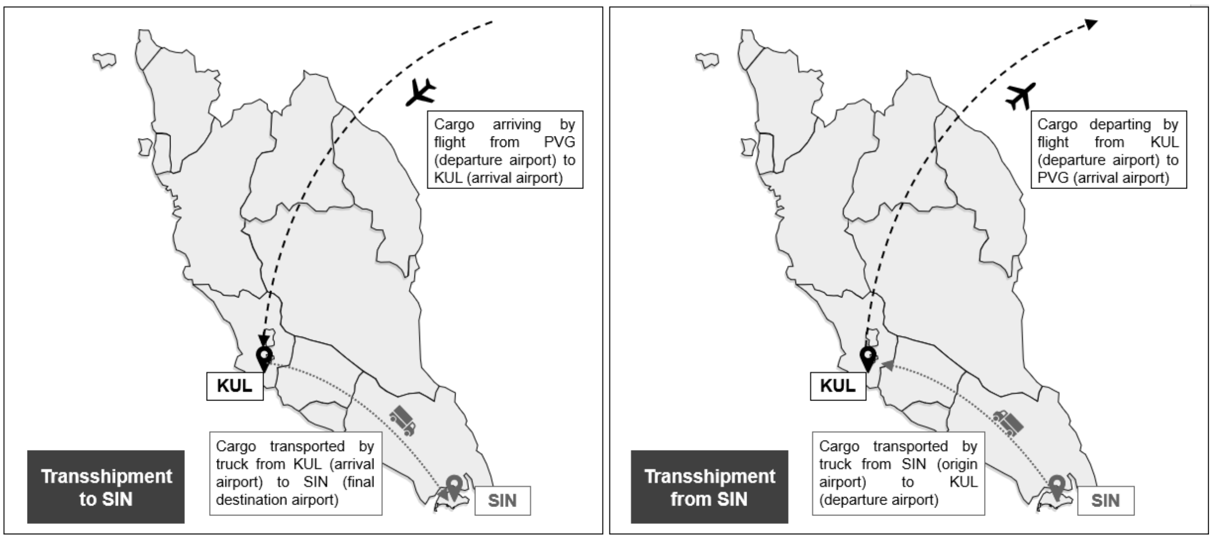
The transportation of cargo between PVG and PEN for both inbound and outbound shipment through a combination of air freight services and airport-to-airport road feeder services is covered under a single airway bill issued by the airline, i.e. the airport-to-airport road feeder services is an extension of the air freight services.

Illustration of airport-to-airport road feeder services for inbound and outbound shipments



Apart from domestic transportation, airport-to-airport road feeder services may cover cross-border transportation to facilitate transhipments, to an airport located outside Malaysia, e.g. from KUL to Changi Airport in Singapore ("SIN"), and vice versa.

Illustration of airport-to-airport road feeder services for transshipments



The use of airport-to-airport road feeder services to transport cargo between these airports by an airline is due to several reasons, which include:

- no flight services or no timely connections on flight services operated by the said airline between the airports operated by the airport-to-airport road feeder services; or
- limited cargo space on flight services operated by the said airline between these airports; or
- no timely connections on flight services operated by other airlines between these airports; or
- limited cargo space on flight services operated by other airlines between these airports.

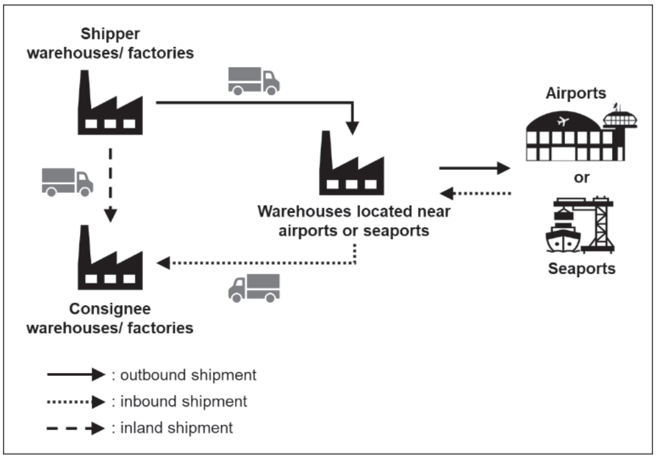
The connectivity between airports through land transportation via airport-to-airport road feeder services enables airlines to have an extensive network of coverage to support the logistics needs of their customers.

Unit load devices ("ULDs") are used to handle air cargo throughout the transportation process and hence, there is no packing and unpacking of the cargo involved during the change of transportation modes. This eliminates the need to repack cargo in-transit, thus ensuring the security of the cargo and reducing the risk of damaged goods.

(ii) Point-to-point trucking services

Point-to-point trucking services involve movement of cargo from shipper warehouses/ factories directly to consignee warehouses/ factories (i.e. inland shipment); or between shipper or consignee warehouses/ factories and warehouses located near airports/ seaports for outbound or inbound shipment.

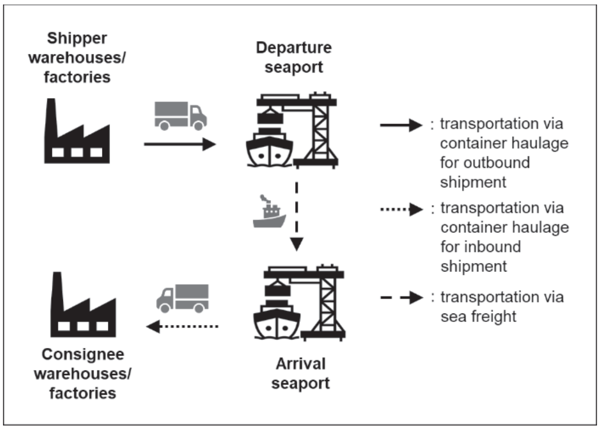
Cargo transported from shipper warehouses/ factories to warehouses located near airports or seaports are generally for outbound shipment through air freight or sea freight; while cargo transported from warehouses located near airports or seaports to consignee warehouses/ factories are generally inbound shipment through air freight or sea freight.



(iii) Container haulage services

Container haulage services are trucking services that use prime movers and trailers to transport containerised cargo from shipper warehouses/ factories to departure seaport for onward delivery through container vessels (i.e. outbound shipment), or from arrival seaport to the consignee warehouses/ factories (i.e. inbound shipment).

Prime movers are designed to haul up to two 20-foot containers or a single 40-foot container using trailers. These containers have standard dimensions to be used across different modes of transportation seamlessly, without the need to unload and reload the cargo as the cargo remains inside the container throughout the logistics process.

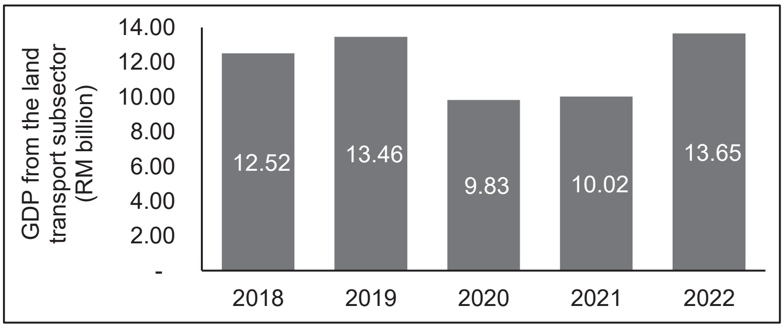


2.2 INDUSTRY PERFORMANCE, SIZE AND GROWTH

The performance of the land transport industry in Malaysia, as represented by GDP from the land transport subsector, recorded similar trend as the overall logistics and warehousing industry in Malaysia.

In 2020, the GDP from the land transport subsector in Malaysia (including road transport and rail transport) experienced a sharp decline at a YOY of -26.97%. This decline was attributed to the implementation of varying degrees of nationwide movement restrictions [1] by the Government of Malaysia ("the Government") from 18 March 2020 in order to curb the spread of the COVID-19 virus. The implementation of movement restrictions led to temporary suspensions and/or operational restrictions of many businesses and economic activities, which resulted in a decline in trade and manufacturing activities, thereby decreasing the demand for transportation of goods.

GDP from the land transport subsector (Malaysia), 2018 – 2022



Notes:
- *Latest available as of 26 March 2024.*
- *The GDP from the land transport subsector includes road transport and rail transport. The breakdown of road transport and rail transport data is not publicly available.*

Source: DOSM

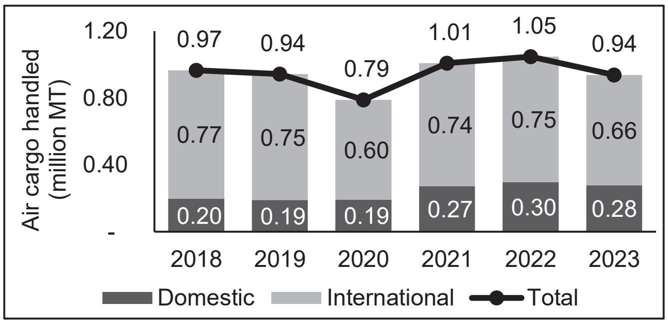
[1] *Refer to movement control order ("MCO"), conditional MCO, recovery MCO, enhanced MCO and various phases under the National Recovery Plan ("NRP") imposed by the Government for different duration depending on the severity of the COVID-19 situation in the respective states, federal territories and areas.*

In 2021, the GDP from the land transport subsector in Malaysia recorded a marginal increase of 1.93%. Subsequently in 2022, it increased significantly by 36.23% to RM13.65 billion. This was attributed to the recovery of the economy after the ease of nationwide movement restrictions and the resumption of business and economic activities following the transition into the 'Endemic Phase' effective 1 April 2022.

Sin-Kung Group focuses on airport-to-airport road feeder services to support the air freight industry. Hence, the performance of the air freight industry, represented by total air cargo handled, is presented.

Total air cargo handled in Malaysia declined from 0.94 million metric tonnes ("MT") in 2019 to 0.79 million MT in 2020, at a negative YOY of 15.96%. In 2020, international air cargo handled decreased by 20.00%, due to the outbreak of the COVID-19 pandemic and the subsequent implementation of international travel restrictions, which resulted in an abrupt cessation of scheduled passenger services and grounding of passenger aircraft. Subsequently, this led to a loss in belly cargo capacity from passenger aircraft and resulted in the decline in international air cargo handled in Malaysia.

Total air cargo handled (Malaysia), 2018 – 2023

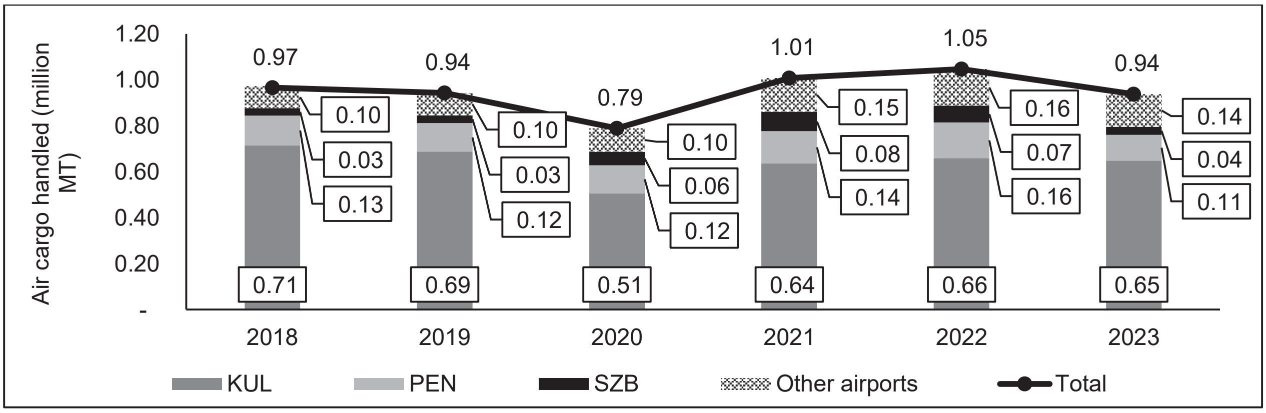


Source: Ministry of Transport ("MOT")

In 2021, subsequent to the roll-out of vaccinations and reopening of economies in many countries, domestic and international cargo handled in Malaysia recorded a YOY increase of 42.11% and 23.33% respectively, thereby driving the increase in total air cargo handled at a YOY of 27.85% to 1.01 million MT. In 2022, air cargo handled in Malaysia continued its growth momentum by increasing to 1.05 million MT at a YOY of 3.96%. In 2023, air cargo handled in Malaysia declined at a YOY of -10.48% to 0.94 million MT, mainly driven by the decline in international cargo by 12.00% due to slower global demand and geopolitical uncertainties. This was in line with the decline in Malaysia's external trade at a YOY of -7.04% in the same year.

Amongst all airports in Malaysia, KUL[2], PEN and Sultan Abdul Aziz Shah Airport ("SZB"), which are amongst the airports covered by Sin-Kung Group in Malaysia, were the top 3 airports with most air cargo handled from 2018 to 2022. In 2023, air cargo handled in Kota Kinabalu International Airport and Kuching International Airport exceeded SZB. However, as KUL, PEN and SZB are amongst the airports covered by Sin-Kung Group, the following analysis on air cargo handled by airports will focus on the performance of these 3 airports.

Air cargo handled by airports (Malaysia) 2018 – 2023



Sources: MOT, SMITH ZANDER

Between 2019 and 2023, the collective contribution of air cargo handled by these 3 airports ranged between 84.76% and 89.36% of the total air cargo handled in Malaysia.

With the large contribution of air cargo handled by KUL, airports in Peninsular Malaysia handled most of the air cargo in Malaysia at 0.80 million MT[3] in 2023, accounting for 85.11% of the total air cargo handled in Malaysia.

[2] *KUL consists of KLIA Terminal 1 and Terminal 2*

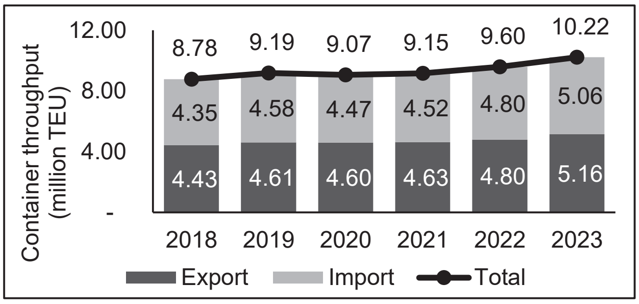
[3] *In 2023, total air cargo handled by all airports in Peninsular Malaysia was 804,075 MT (rounded to 0.80 million MT), while total air cargo handled by KUL, PEN and SZB was 795,645 MT (also rounded to 0.80 million MT).*

Further, Sin-Kung Group provides container haulage services to support the sea freight industry. Hence, the performance of the sea freight industry, represented by total container throughput, is presented.

Total container throughput in Malaysia decreased from 9.19 million Twenty-foot Equivalent Unit ("TEU") in 2019 to 9.07 million TEU in 2020 at a YOY of -1.31%, mainly due to a decrease in container throughput due to the outbreak of the COVID-19 pandemic and the subsequent spillover effects of container shortages and port congestion.

Total container throughput in Malaysia recovered at a compound annual growth rate ("CAGR") of 4.06% from 9.07 million TEU in 2020 to 10.22 million in 2023. This was in tandem with the gradual recovery of Malaysia's economy over the same period.

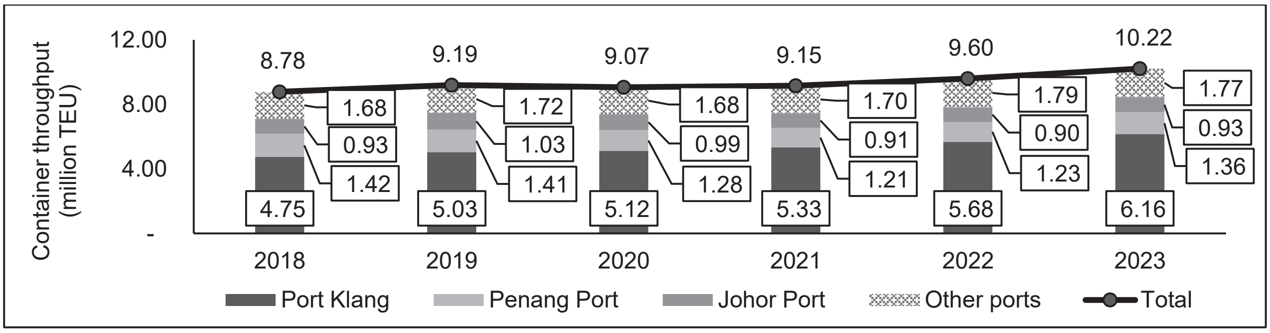
Total container throughput (Malaysia), 2018 – 2023



Source: MOT

Amongst all seaports in Malaysia, Port Klang (which is the seaport covered by Sin-Kung Group under its container haulage business) is the top seaport with highest container throughput between 2019 and 2023, with a contribution ranging between 54.73% and 60.27%. Other ports that also significantly contribute to the total container throughput in Malaysia are Penang Port and Johor Port, with a collective contribution ranging between 22.19% and 26.55% over the same period.

Container throughput by seaports (Malaysia), 2018 – 2023



Sources: MOT, SMITH ZANDER

With the large contribution of container throughput by Port Klang, seaports in Peninsular Malaysia accounted for most of the container throughput in Malaysia at 9.13 million TEU in 2023, accounting for 89.33% of total container throughput in Malaysia.

2.3 INDUSTRY DRIVERS, RISKS AND CHALLENGES

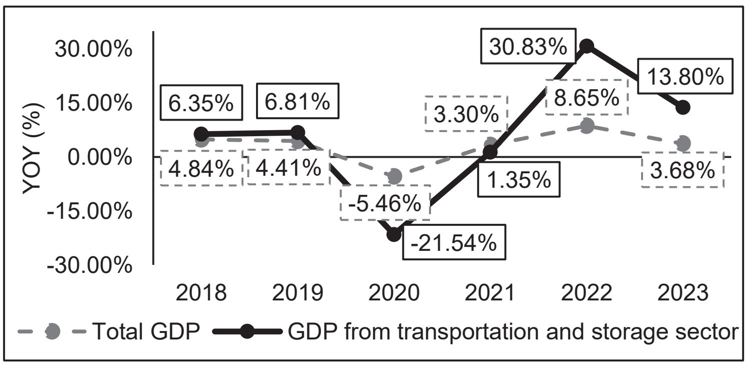
Key Industry Drivers

- **Continued growth in the Malaysian economy creates continuous demand for logistics and warehousing services**

The logistics and warehousing industry is pivotal in supporting growth in economic activities as it facilitates the transportation of goods across domestic and international borders. As such, the logistics and warehousing industry generally grows in tandem with economic growth.

Due to the outbreak of the COVID-19 pandemic since early 2020, the total GDP of Malaysia and the GDP from the transportation and storage sector declined by 5.46% and 21.54% respectively. With the recovery of Malaysia's economy from 2021 onwards, the logistics and warehousing industry has recovered in tandem.

YOY of total GDP and GDP from transportation and storage sector (Malaysia), 2018 – 2023



Sources: DOSM, SMITH ZANDER

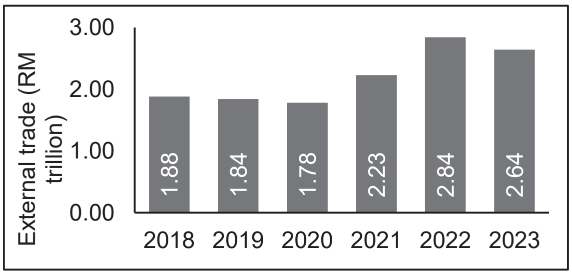
According to Bank Negara Malaysia ("BNM"), the Malaysian economy is predicted to grow between 4.00% and 5.00% in 2024, supported by continued expansion in domestic demand and improvement in external demand. Premised on this, it is expected that the logistics and warehousing industry, including the trucking industry will continue to grow to support the continuous growth in Malaysia's overall economy.

- **Growth in the trade and manufacturing sectors will drive the demand for logistics and warehousing services**

The logistics and warehousing industry plays an important role in supporting trade activities, as the transportation of goods across domestic and international borders accelerates convergence with global supply chains and helps key export industries connect with international markets. After a YOY decline of 3.26% in 2020 due to the impact from the COVID-19 pandemic, Malaysia's external trade (comprising total imports and total exports) increased from RM1.78 trillion in 2020 to RM2.84 trillion in 2022, at a CAGR of 26.31%. Such recovery in Malaysia's external trade contributed to increased demand for logistics and warehousing services, including demand for trucking services. In 2023, Malaysia's external trade recorded a 7.04% YOY decline to RM2.64 trillion. This was in tandem with slower global demand, lower commodity prices, geopolitical uncertainties, high inflation rate, downcycle in the semiconductor sector and high base effect in 2022.[4] According to the Economic Outlook 2024 published by Ministry of Finance Malaysia, Malaysia's external trade is forecast to increase by 5% in 2024, which is in line with the anticipated recovery of global trade at 3.3% as announced by the World Trade Organization.

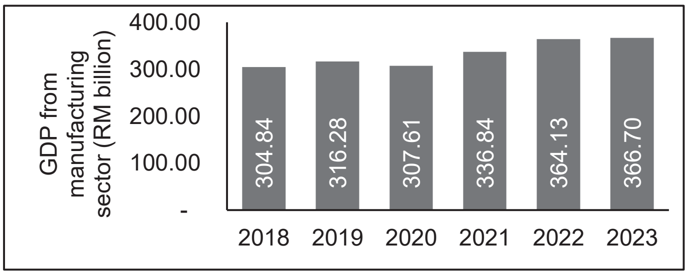
Furthermore, the growth in the manufacturing industry will drive the demand for logistic services to facilitate the movement of goods. In 2020, GDP contribution from the manufacturing sector recorded a YOY decline of 2.74% due to the COVID-19 pandemic, but subsequently rebounded at a CAGR of 6.03% from 2020 to 2023 following the recovery and growth of the Malaysian economy.

External trade (Malaysia), 2018 – 2023



Sources: DOSM, SMITH ZANDER

GDP from manufacturing sector (Malaysia), 2018 – 2023



Source: DOSM

Within the manufacturing sector, the E&E industry is the largest sub-segment with a contribution of approximately 27.01% to the GDP from the manufacturing sector in 2023, thereby being acknowledged as one of the pillars of Malaysia's economy. Additionally, export of E&E products is also one of the major factors driving the recovery of Malaysia's external trade in 2023, with its contribution to total exports at approximately 40.24% and to total external trade at 21.80%. The GDP from the E&E industry and exports of E&E products registered positive growth at a CAGR of 6.80% and 8.56% respectively, from 2018 to 2023.

GDP from E&E industry and exports of E&E products (Malaysia), 2018 – 2023

	2018	2019	2020	2021	2022	2023	CAGR (2018 – 2023)
GDP from E&E industry (RM billion)	71.27	73.68	75.84	87.69	101.16	99.05	6.80%
Exports of E&E products (RM billion)	381.55	373.12	386.11	455.95	592.96	575.40	8.56%

Sources: DOSM, SMITH ZANDER

The decline in the E&E industry in Malaysia in 2023, including the decline in the exports of E&E products, was in line with the slowdown in the global semiconductor sector. Moving forward in 2024, the E&E industry in Malaysia will be supported by the recovery in the global semiconductor sector which is projected to grow by 13.1% by World Semiconductor Trade Statistics.

The anticipated growth of the E&E industry and the exports of E&E products will not only drive the logistics and warehousing industry as a whole, but will particularly benefit the air freight industry as E&E products are generally high-value items and commonly transported through air freight. This will in turn create demand for trucking services, including airport-to-airport road feeder services and point-to-point trucking services, to facilitate the movement of E&E products between and to/from airports.

[4] *Source: Ministry of Investment, Trade and Industry Malaysia*

► **Continuous growth in the e-commerce industry boosts the demand for logistics and warehousing services**

E-commerce has become a significant retail channel for a wide range of goods spanning from daily necessities, apparels, consumer electronic products, household items, automotive spare parts and furniture, amongst others. E-commerce not only facilitates domestic purchases; but also cross-border transactions globally as consumers are able to purchase goods from overseas sellers through e-commerce platforms. Air freight and sea freight services thus serve as an important supporting service to e-commerce through the transportation of goods from the origin airport/seaport (of sellers) to the destination airport/seaport (of buyers). Following which, trucking plays a pivotal role in transporting these goods from the destination airport/seaport to warehouses for onward sorting and last mile transportation to the buyers. Further, airport-to-airport road feeder services are also essential in transporting e-commerce goods between airports.

The e-commerce market in Malaysia, represented by sales value, grew from RM10.29 billion in 2018 to RM31.09 billion in 2023 at a CAGR of 24.75%. The growth of the e-commerce market since 2020 was boosted by the COVID-19 pandemic as more consumers switched to online shopping in view of movement restrictions imposed and reduced shopping in physical stores to minimise the risk of infection. As consumers continue adopting online shopping despite the subsidence of the COVID-19 pandemic, the demand for trucking services is expected to increase to support the continued growth in e-commerce activities.

► **Implementation of government initiatives to spur the logistics and warehousing industry**

The Government recognises that the logistics sector plays a crucial role in facilitating growth across all sectors of the economy. Therefore, the National Transport Policy ("NTP") (2019 – 2030) was launched on 17 October 2019 by the Government with the intention to internationalise the logistics and warehousing industry in the context of regional trade integration. The NTP (2019 – 2030) consists of 23 initiatives, which include:

- Shortening the clearance time and reducing steps needed for cargo clearance to attract importers and exporters through simplified processes and procedures for transshipment and ordinary cargo as well as multimodal freight movement;
- Improving road development for better connectivity between urban and rural areas as well as within rural areas; and
- Integrating and expanding rail and road links to airports, seaports and industrial areas.

Furthermore, the 12th Malaysian Plan ("12MP") (2021 – 2025) which was launched on 27 September 2021, aims to enhance and transform the logistics sector to be an effective enabler supporting other industries in enhancing economic growth and providing employment as well as increasing the competitiveness of this sector. The 12MP (2021 – 2025) aims to achieve the transformation with the following initiatives:

- Centralising the planning and development of logistics hubs;
- Accelerating digital adoption to enhance efficiency in logistics services;
- Enhancing trade facilitation by establishing a single border agency; and
- Creating a national regulatory framework for warehousing and maritime economy.

Further, KLIA Aeropolis was developed by Malaysia Airports Holdings Berhad to act as a regional e-commerce fulfilment hub with an integrated cargo network consisting of air, land and sea connectivity within the vicinity of KLIA. KLIA Aeropolis is aimed at becoming the main distribution gateway within the ASEAN region by attracting global industry players in the logistics and aerospace sectors to set up hubs in Malaysia.

With initiatives from the NTP (2019 – 2030) and 12MP (2021 – 2025) in place as well as the development of KLIA Aeropolis, the logistics sector is expected to become a resilient and competitive sector domestically and internationally, meanwhile enhancing international trade competitiveness and improving the governance structure of the logistics sector.

Key Industry Risks and Challenges

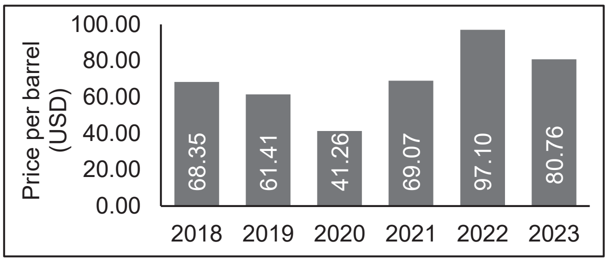
► **Reliance on diesel to operate trucks leads to exposure to the volatility of global fuel prices**

Purchase of diesel is one of the major operating expenses in the trucking industry. Hence, any significant rise in global fuel prices will lead to increase in diesel prices, leading to increased operating cost which may adversely affect the profitability of trucking service providers. Diesel prices typically mirror global crude oil prices, whereby the movement of global crude oil prices are subject to demand and supply conditions.

In 2021, global crude oil prices increased beyond pre-COVID-19 levels, reaching an average price of USD69.07 per barrel. This was attributed to the increased global demand for petroleum as well as production cuts by major oil producing countries.

In early 2022, global crude oil prices increased significantly, primarily due to the uncertainty and conflicts between Russia and Ukraine as well as between the United States ("US") and Russia. Russia is one of the world's largest producers of crude oil as well as a major exporter of natural gas. With its conflict and uncertainty with Ukraine, there were market fears that it may obstruct or limit the supply of crude oil in the market. The US had also announced implementing sanctions against Russia which had led to an increase in demand for crude oil due to fears of supply disruptions.

Average crude oil prices (Global), 2018 – 2023



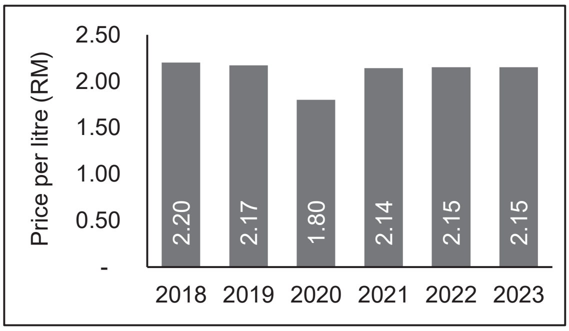
Sources: World Bank, SMITH ZANDER

In the third quarter of 2022, prices of crude oil began to weaken due to concerns about global economic conditions, reduced expectations of petroleum demand growth and pressure from the strong USD. However, average crude oil prices in 2022 and 2023 were still higher than in 2021.

Notwithstanding the fluctuations in global crude oil prices, diesel prices in Malaysia were relatively stable between 2018 and 2022 due to ceiling prices implemented by the Government. Save for a reduction in average diesel prices to RM1.80 per litre in 2020, average diesel prices in Malaysia were maintained within the range of RM2.14 to RM2.20 per litre between 2018 and 2023.

Moving forward, any further increases in global crude oil prices leading to increases in diesel prices in Malaysia, which may be due to increase in ceiling prices implemented by the Government, may negatively impact trucking service providers if they are unable to pass on the increases in costs to their customers timely.

Average diesel prices (Malaysia), 2018 – 2023



Sources: DOSM, SMITH ZANDER

The fluctuations in global crude oil prices may also pose challenges to trucking service providers to remain competitive in terms of pricing, as they are required to manage their exposure to the volatility of diesel prices in addition to other operating expenses such as vehicle maintenance costs and staffing costs, to ensure sustainability of their business.

- **Reliance on local skilled drivers**

The trucking industry is reliant on skilled truck drivers. In Malaysia, all drivers for commercial vehicles are required to go through the necessary driving tests in order to obtain the Competent Driving License ("CDL") and Goods Driving License ("GDL"). Without an active CDL and GDL, drivers are not allowed to operate trucks. Further, as road haulage involves cross-border and long distance driving, the work schedule could be demanding as drivers may be required to work on different shifts including overnight shifts.

Industry players constantly face challenges in retaining and hiring local drivers as they may choose other occupations that are more lucrative and/or with less demanding schedules. In the event that industry players are unable to hire sufficient and suitable drivers to meet the demand for their trucking services, it may affect delivery services and/or and cause delays to pre-agreed delivery schedules with customers.

3 COMPETITIVE OVERVIEW OF THE LOGISTICS, WAREHOUSING AND TRUCKING INDUSTRY IN MALAYSIA

3.1 COMPETITIVE LANDSCAPE

The logistics and warehousing industry in Malaysia is competitive and fragmented due to the large number of industry players including public listed companies, large private companies as well as small to medium enterprises. Larger industry players such as public listed companies and large private companies typically offer integrated logistics services including transportation, warehousing, customs clearance and freight forwarding which cover multiple states in Malaysia and/or cross-border services; as well as other related activities such as break-bulking, palletising and labelling that constitute a total logistics service package. On the other hand, smaller industry players such as small to medium enterprises may only focus on certain logistics services.

Sin-Kung Group is principally involved in the provision of trucking services with a focus on airport-to-airport road feeder services. Airport-to-airport road feeder services can be carried out by local airlines internally using internal fleet of trucks as part of their expanded connectivity, or by trucking service providers appointed by airlines, such as Sin-Kung Group. In Malaysia, as cargo carried under airport-to-airport road feeder services may comprise dutiable goods, carriers of these goods via land transport are required to obtain licencing from the Royal Malaysian Customs Department to act as a 'licensed carrier' under Section 35H of Customs Act 1967. In addition, industry players have to maintain good relationships with airlines to continue securing engagements from airlines for the provision of airport-to-airport road feeder services to sustain and grow their business. As such, the barriers to entry of the trucking industry with a focus on airport-to-airport road feeder services in Malaysia involve having a large fleet of trucks, obtaining licences from the relevant authorities, and establishing track record and relationships with airlines in order to continuously securing engagements from airlines.

The following table sets out the industry players which are trucking service providers involved in the provision of airport-to-airport road feeder services based on research carried out by SMITH ZANDER and the availability of information. It is not an exhaustive and/or affirmed list as the list of licensed carriers under Section 35H of Customs Act 1967 is not publicly available. Save for Sin-Kung Group, the status of whether the companies shown below are 'licensed carriers' under Section 35H of Customs Act 1967 are also not publicly available.

Company name	Service offerings	Latest available financial year	Revenue [a] (RM million)	Gross profit ("GP") (RM million)	GP margin (%)	Profit after tax ("PAT") (RM million)	PAT margin (%)
Sin-Kung Group	Integrated logistics services including trucking services (with a focus on airport-to-airport road feeder services), container haulage services, warehousing and distribution services, and other logistics-related services	31 December 2023	51.98 [b]	24.03	46.23	6.41	12.33
MasKargo Logistics Sdn Bhd [c]	Trucking services (including airport-to-airport road feeder services), freight forwarding services, and supply of manpower services	31 December 2022	29.40	9.15	31.13	2.50	8.50
Transocean Holdings Bhd	- Integrated logistics services including trucking services (including airport-to-airport road feeder services), container haulage services, container depot services, warehousing services, freight forwarding and custom brokerage services - Tyre retreading services and trading of new tyres - Information technology ("IT") services covering cloud services and edge computing solutions	31 December 2022	28.88	N/A [d]	N/A [d]	1.76	6.09
JNE Distributions Sdn Bhd	Trucking services (including airport-to-airport road feeder services)	31 March 2021 [e]	11.51	3.92	34.05	0.18	1.56
Tarika Logistics Sdn Bhd	Trucking services (including airport-to-airport road feeder services)	31 December 2022	0.91	0.46	50.20	0.02	2.69

Notes:
- *Latest information available as of 26 March 2024.*

[a] *Revenue of all key industry players includes revenue derived from other businesses (i.e. businesses other than airport-to-airport road feeder services) and/or revenue derived from countries outside Malaysia, as segmental revenue for airport-to-airport road feeder services is not publicly available.*

[b] *Revenue of Sin-Kung Group includes other businesses such as point-to-point trucking services, container haulage services and warehousing and distribution services. Segmental revenue for airport-to-airport road feeder services of Sin-Kung Group was RM27.02 million in the financial year ended 31 December 2023.*

[c] *MASKargo Logistics Sdn Bhd's immediate, penultimate and ultimate holding companies are MAB Kargo Sdn Bhd, Malaysia Aviation Group Berhad and Khazanah Nasional Berhad respectively.*

[d] *N/A – not available, as gross profit is not reported in the annual report.*

[e] *JNE Distributions Sdn Bhd is an exempt private company in its latest available financial year ended 31 March 2023.*

Sources: Various company websites, Companies Commission of Malaysia, Sin-Kung Group, SMITH ZANDER

Sin-Kung Group also provides container haulage services, warehousing and distribution services and other logistics-related services as part of its integrated logistics services. The following sets out details of integrated logistics service providers which are listed on Bursa Malaysia Securities Berhad, as well as Sin-Kung Group. All industry players listed below are involved in the provision of similar services as Sin-Kung Group.

Company name	Service offerings	Latest available financial year	Revenue [a] (RM million)	GP (RM million)	GP margin (%)	PAT (RM million)	PAT margin (%)
Tasco Berhad	Integrated logistics services covering amongst others, trucking services, container haulage services, warehousing and distribution services, freight forwarding and custom brokerage services	31 March 2023	1,606.83	199.94	12.44	92.26	5.74
Harbour-Link Group Bhd	- Shipping and marine services covering container shipping services, stevedoring services, shipping agency services and ship management services - Integrated logistics services covering amongst others, land transportation services, warehousing services, freight forwarding services and project cargo services - Engineering, procurement, construction and commissioning services for petroleum and chemical storage tanks, marine terminals and piping works - Property development	30 June 2023	1,006.96	260.31	25.85	175.07	17.39
FM Global Logistics Holdings Berhad	Integrated logistics services covering amongst others, trucking services, container haulage services, warehousing and distribution services, e-commerce fulfillment services, freight forwarding and custom brokerage services	30 June 2023	948.36	229.21	24.17	47.15	4.97
CJ Century Logistics Holdings Berhad	- Integrated logistics services covering amongst others, transportation services, contract logistics services, oil logistics services and warehousing services - Contract manufacturing of electrical and electronic products and assembly services	31 December 2022	930.40	133.82	14.38	28.16	3.03
Tiong Nam Logistics Holdings Berhad	Integrated logistics services covering amongst others, trucking services, container haulage services, warehousing services, freight forwarding and custom brokerage services, last mile delivery services, project cargo services and courier services	31 March 2023	725.69	123.30	16.99	28.07	3.87
Swift Haulage Berhad	- Integrated logistics services covering amongst others, container haulage services, land transportation services, warehousing services, container depot services and freight forwarding services - Sales, service and spare parts dealerships for commercial vehicles, general insurance agency services and e-commerce retailing	31 December 2022	643.77	197.44	30.67	49.22	7.65
AGX Group Berhad	Integrated logistics services covering amongst others, sea and air freight forwarding, aerospace logistics, warehousing and other third party logistics services, as well as road freight transportation	31 December 2022	234.43	50.42	21.51	13.54	5.78
See Hup Consolidated Bhd	- Integrated logistics services covering amongst others, land transportation services, warehousing services, freight forwarding and custom brokerage services - Hiring / rental services for heavy equipment - Trading of construction materials and general merchandise - Construction contracts services	31 March 2023	126.19	N/A [b]	N/A [b]	(6.10)	(4.83)
Tri-Mode System (M) Berhad	Integrated logistics services covering amongst others, container haulage services, warehousing services, container depot services, freight forwarding and custom brokerage services	31 December 2022	124.62	19.74	15.84	10.47	8.40
Xin Hwa Holdings Berhad	- Integrated logistics services covering trucking services, container haulage services, warehousing and distribution services, freight forwarding and custom brokerage services - Manufacturing of precision machining components and parts - Manufacturing and fabrication of trailers	31 March 2023	118.28	27.58	23.32	(15.71)	(13.28)
Sin-Kung Group	Integrated logistics services covering trucking services (with a focus on airport-to-airport road feeder services), container haulage services, warehousing and distribution services, and other logistics-related services	31 December 2023	51.98	24.03	46.23	6.41	12.33

Company name	Service offerings	Latest available financial year	Revenue [a] (RM million)	GP (RM million)	GP margin (%)	PAT (RM million)	PAT margin (%)
Transocean Holdings Bhd	- Integrated logistics services covering trucking services (including airport-to-airport road feeder services), container haulage services, container depot services, warehousing services, freight forwarding and custom brokerage services - Tyre retreading services and trading of new tyres - IT services covering cloud services and edge computing solutions	31 December 2022	28.88	N/A [b]	N/A [b]	1.76	6.09

Notes:

- *Latest information available as of 26 March 2024.*

[a] *Revenue of all integrated logistics service providers listed above may include revenue derived from businesses other than the provision of logistics services, and/or revenue derived from countries outside Malaysia.*

[b] *N/A – not available, as gross profit is not reported in the annual report.*

Sources: Companies' annual reports, Sin-Kung Group, SMITH ZANDER

Apart from the public listed companies in the table above, there are also private companies in Malaysia which provide integrated logistics services, such as DHL Global Forwarding (Malaysia) Sdn Bhd (a wholly-owned subsidiary of Deutsche Post AG, a public listed company on Frankfurt Stock Exchange), Nippon Express (Malaysia) Sdn Bhd (a 50.00%-owned company of Nippon Express Holdings, Inc., a public listed company on Tokyo Stock Exchange), PKT Logistics (M) Sdn Bhd, Kerry Logistics (Malaysia) Sdn Bhd (a wholly-owned subsidiary of Kerry Logistics Network Limited, a public listed company on Hong Kong Stock Exchange), and Schenker Logistics (Malaysia) Sdn Bhd (a 40.00%-owned company of Deutsche Bahn AG, a state-owned enterprise of the Government of Germany).

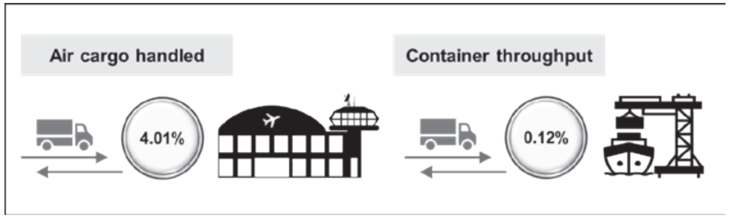
3.2 MARKET SHARE

Sin-Kung Group's revenue is largely contributed by its provision of airport-to-airport road feeder services which accounted for 57.0%, 62.4%, 50.6% and 52.0% to its total revenue in the financial years ended 2020 to 2023 respectively. Airport-to-airport road feeder services play a significant role in the air freight industry by carrying air cargo as part of the extended connectivity and network of coverage of airlines under a single airway bill. Sin-Kung Group's airport-to-airport road feeder services cover routes within Peninsular Malaysia and routes between Peninsular Malaysia, Singapore and Thailand. Hence, the market share of Sin-Kung Group is calculated based on the air cargo handled under its airport-to-airport road feeder services against total air cargo handled in Peninsular Malaysia.

In 2023, Sin-Kung Group obtained a market share of 4.01% in terms of air cargo handled, based on its estimated air cargo handled of 32,069 MT, against total air cargo handled in Peninsular Malaysia of 0.80 million MT.

Sin-Kung Group also provides container haulage services in Peninsular Malaysia to support the sea freight industry. Hence, the market share of Sin-Kung Group can also be calculated based on the containers transported under its container haulage services against total container throughput in Peninsular Malaysia. In 2023, Sin-Kung Group obtained a market share of 0.12% in container haulage services, based on its number of containers transported at 11,352 TEU against total container throughput in Peninsular Malaysia of 9.13 million TEU.

Market share (Peninsular Malaysia), 2023



Source: SMITH ZANDER

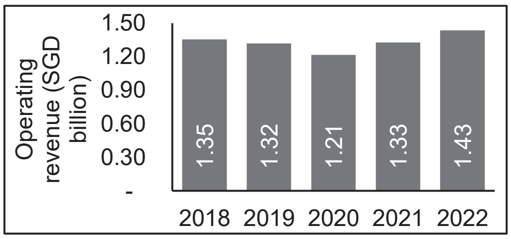
Sin-Kung Group also provides warehousing services as part of its integrated logistics services. However, the market share of Sin-Kung Group's warehousing business in Malaysia is not available as the size of the warehousing industry in Malaysia is not publicly available.

4 THE TRUCKING INDUSTRY IN SINGAPORE

As Sin-Kung Group also provides cross-border trucking services, including airport-to-airport road feeder services, to and from Singapore, this section will focus on the trucking and air cargo industries in Singapore.

The performance of the trucking industry in Singapore, as represented by total operating revenue from freight transport by road, decreased from SGD1.32 billion (RM4.01 billion) in 2019 to SGD1.21 billion (RM3.69 billion) in 2020 at a YOY of -8.33%. This was in line with the decrease in the GDP from the transportation and storage sector from SGD32.91 billion (RM99.95 billion) in 2019 to SGD27.67 billion (RM84.29 billion) in 2020 at a negative YOY of 15.92% due to the COVID-19 pandemic.

Operating revenue from freight transport by road (Singapore), 2018 – 2022



Note: Latest available as of 26 March 2024.

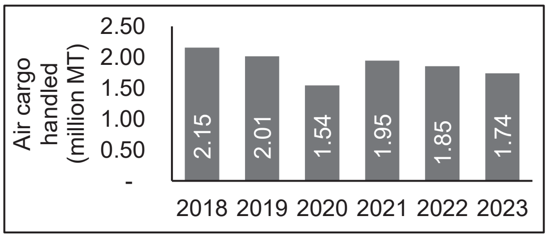
Source: Department of Statistics Singapore

In 2021, the GDP from the transportation and storage sector in Singapore recovered at a YOY of 11.53% to SGD30.86 billion (RM95.17 billion), and the operating revenue from freight transport by road increased by 9.92% to SGD1.33 billion (RM4.10 billion), back to pre-COVID-19 levels. In 2022, the GDP from the transportation and storage sector continued its recovery momentum and recorded a 4.86% increase to SGD32.36 billion (RM103.27 billion), while the operating revenue from freight transport by road increased by 7.52% to SGD1.43 billion (RM4.56 billion).

Total air cargo handled in Singapore declined from 2.01 million MT in 2019 to 1.54 million MT in 2020, at a negative YOY of 23.38%. The decline was due to the outbreak of the COVID-19 pandemic which resulted in a loss in belly cargo capacity from the grounding of passenger aircraft.

In 2021, as airlines increased frequencies of cargo-only flights, total air cargo handled in Singapore rebounded by 26.62% to 1.95 million MT. In 2022 and 2023, total air cargo handled decreased slightly by 5.13% and 5.95% respectively, which was attributable to a backdrop of global economic uncertainty and inflationary pressure.[5]

Total air cargo handled (Singapore), 2018 – 2023

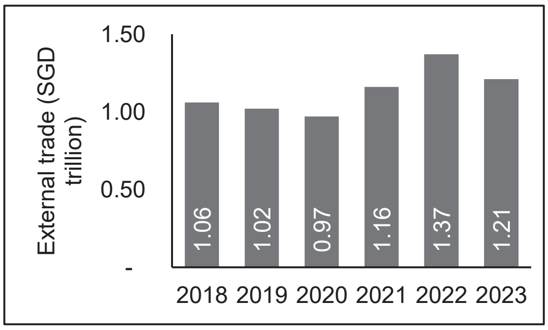


Source: Department of Statistics Singapore

The logistics industry, including the trucking industry in Singapore, will continue to be driven by the growth in the trade sector. Singapore's external trade, as represented by total imports and total exports, recorded a YOY decline of 4.90% in 2020 due to the COVID-19 pandemic.

Subsequently, Singapore's external trade grew strongly at a CAGR of 18.84% from SGD0.97 trillion (RM2.95 trillion) in 2020 to SGD1.37 trillion (RM4.37 trillion) in 2022, driven by expansion in oil trade amidst higher oil prices.[6] However, Singapore's external trade declined by 11.68% in 2023, which was partly due to the decline in external trade for E&E products along with the slowdown in the global E&E industry during the same period.

External trade (Singapore), 2018 – 2023



Source: Department of Statistics Singapore

According to the Ministry of Trade and Industry Singapore, Singapore's manufacturing and trade-related sectors in 2024 are expected to see a gradual pickup in growth in tandem with the turnaround in global electronics demand. This is expected to support its external trade, which is likely to sustain and grow demand for air freight services. This is expected to drive the air freight industry and consequently demand for airport-to-airport road feeder services in Singapore.

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[5] *Source: Changi Airport Group*

[6] *Source: Ministry of Trade and Industry Singapore*

- *Exchange rate from SGD to RM in this chapter was converted based on average annual exchange rates extracted from published information from Bank Negara Malaysia:*
  - *2019: SGD1 = RM3.0372* - *2021: SGD1 = RM3.0838*
  - *2020: SGD1 = RM3.0463* - *2022: SGD1 = RM3.1912*

9. RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS WHICH MAY HAVE A MATERIAL ADVERSE IMPACT ON THE FUTURE PERFORMANCE OF OUR GROUP, IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE INVESTING IN OUR COMPANY.

9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

9.1.1 Our growth may be affected by any changes in the performance of the air freight industry

The performance of our Group may be affected by any changes in the performance of the air freight industry as our provision of trucking services focuses on airport-to-airport road feeder services. Our airport-to-airport road feeder services enable airlines to have extensive network coverage to support the logistics needs of their customers. Thus, our financial performance theoretically moves in tandem with the performance of the air freight industry. Growth in the air freight industry generally depends on global and domestic demand for air freight services based on various factors, such as the following:

(a) growth in the global and domestic economic activities, in particular manufacturing and trade activities; and

(b) growth in the global and domestic e-commerce market.

As a result of the COVID-19 pandemic since early 2020 and the imposition of movement restrictions in Malaysia, Singapore and Thailand, there was an increase in the demand for air freight services despite the grounding of many passenger aircraft which caused a substantial loss of belly cargo capacity. The demand for air freight services was met by cargo airlines and complemented by our airport-to-airport road feeder services in connecting the service routes to another airport in which the cargo airlines do not have flights or immediate flights to, so that the cargo can be transferred to the final destination airport or to the next transit airport for its connecting flight to the final destination airport. As a result, our financial performance improved during the period of the COVID-19 pandemic. From FYE 2020 to 2021, our Group's total revenue increased by 21.3%. During the COVID-19 pandemic, we shifted our focus from serving both passenger airlines and cargo airlines to increasingly serve cargo airlines for the provision of our trucking services as they experienced an increase in cargo volume due to an increase in the demand for their air freight services, as a result of the temporary loss in belly cargo capacity caused by the widespread grounding of passenger aircraft. Further, we also served passenger airlines which temporarily converted their passenger aircraft to transport cargo during the COVID-19 pandemic. Thus, our Group managed to sustain our business during the COVID-19 pandemic in 2020 and 2021.

Notwithstanding the above, the demand for our airport-to-airport road feeder services is still subject to the performance of the air freight industry. Any future global events similar to the outbreak of the COVID-19 pandemic which may impact the global aviation industry and subsequently the air freight industry, may in turn affect the demand for our airport-to-airport road feeder services. Consequently, this may have a material adverse impact on our business operations and financial performance.

9.1.2 We may not be able to renew or obtain approvals, licences and permits required to carry on our business in countries which we have service routes to

Our Group operates in Malaysia and our service routes cover Peninsular Malaysia, Singapore and Thailand. The logistics industries in Malaysia, Singapore and Thailand are regulated by specific legislations requiring companies undertaking logistics business to have various approvals, licences and permits from relevant government authorities. Our Group has obtained the major approvals, licences and permits for our business, as set out in Section 6.6.

These approvals, licences and permits are subject to compliance of conditions imposed by the relevant government authorities, the details of which are as set out in Section 6.6. In the event of non-compliance, these approvals, licences or permits may be revoked or may not be renewed upon expiry. Further, the relevant government authorities may take actions by issuing warnings, imposing penalties, suspending the approvals, licences or permits, shortening the validity periods, imposing additional conditions or restrictions, and/or revoking the approvals, licences or permits, for any breach or non-compliance. Any revocation or failure to obtain, maintain or renew any of these approvals, licences and permits may adversely affect our ability to continue operations and hence affect our financial performance. For avoidance of doubt and as mentioned in Section 7.2.4, notwithstanding that our Group has obtained the relevant approvals or permits issued by the Land Transport Authority of Singapore (such as the ASEAN Goods Vehicle Permit), the Immigration & Checkpoints Authority of Singapore and the Thailand's Department of Land Transport for purposes of our service routes to Singapore and Thailand, any failure to obtain or renew such approvals or permits will not have a material adverse impact on our business operations as the renewal process for the abovementioned approvals or permits are procedural in nature and our Group has not faced any difficulty in obtaining and renewing the said approvals or permit in the past.

Save for the approvals or permits issued by the Land Transport Authority of Singapore, the Immigration & Checkpoints Authority of Singapore and the Thailand's Department of Land Transport, the approvals, licenses and permits set out in Section 6.6 are material in order for us to carry out our operations. As such, any inability to renew or obtain these approvals, licenses and permits possess a material risk to our Group.

Further, new laws and regulations may also be introduced and enforced from time to time which may require additional approvals, licences and/or permits to be obtained in addition to those we currently have, or additional requirements may be imposed on the operations of our business. If additional approvals, licences or permits are required for the operations of any part of our business and we are not able to obtain such approvals, licences, or permits or even adjust our business model to comply with such new laws in a timely manner, we could be subject to operational disruption and/or penalties which may lead to material adverse impact to our business and financial performance. For FYE 2020, 2021, 2022 and 2023 and up to LPD, we did not encounter any circumstances of non-renewal or revocation of approvals, licences and permits.

9.1.3 We are dependent on 2 of our major customers who contributed substantially to our revenue

For FYE 2020, 2021, 2022 and 2023, our largest major customer was Customer A who contributed 20.6%, 22.8%, 19.5% and 16.9% of our Group's total revenue respectively, where we provided trucking, licensed brokerage and forwarding as well as cargo escort services. Further, our Group's other major customer, Customer C, contributed 11.2%, 11.7%, 12.7% and 12.7% of our Group's total revenue for FYE 2020, 2021, 2022 and 2023 respectively, where we provided trucking, container haulage, warehousing and distribution, licensed brokerage and forwarding as well as express delivery services. In view that Customer A and Customer C have each contributed more than 10.0% of our Group's revenue in the respective FYE 2020, 2021, 2022 and 2023, we are dependent on them.

Our Group's sales with Customer A and Customer C are based on bookings. As at LPD, our Group has enjoyed a 11-year and 13-year long term working relationships with Customer A and Customer C respectively, which is expected to continue in the future. Nonetheless, in the event of a termination or loss of Customer A and/or Customer C, as well as our inability to replace Customer A and/or Customer C with new customers or with additional sales from existing customers in a timely manner, this could result in a loss of revenue which may have an adverse impact on our financial performance. Moreover, even though we may be able to secure new customers, there is no assurance that we will be able to achieve the same level of sales value and maintain and/or improve our profit margins. If such adverse events occur, our financial performance may be adversely affected.

9.1.4 We are dependent on our Managing Director, Executive Directors and key senior management team for continued success and growth of our business

We attribute the success of our Group to the experience, industry knowledge, domain expertise and continued service of our Managing Director, Executive Directors and key senior management who have on average of about 16 years of relevant experience in their respective fields. Please refer to Sections 5.1.2 and 5.3.3 for the profiles of our Managing Director, Executive Directors and key senior management respectively.

Our Managing Director, Executive Directors and key senior management are familiar with our business operations and their abilities and expertise have contributed to the success of our Group. As such, the loss of any of them without suitable and timely replacement may adversely affect our Group's operations, financial performance and the future growth of our business.

9.1.5 We may not be able to successfully implement our business strategies

Our business strategies are as follows:

(a) to expand our warehousing and distribution business through the establishment of a new warehouse; and

(b) to grow our trucking and container haulage businesses through the expansion of our fleet of commercial vehicles.

Please refer to Section 7.15 for further information on our business strategies.

The implementation of our business strategies is subject to additional expenditures including operational expenditures, capital expenditures and other working capital requirements. The feasibility and implementation of such business strategies are also subject to factors beyond our control such as the general market conditions and changes in government's policy or regulatory regime for the logistics industry in Malaysia, Singapore and Thailand.

Our financial performance will be adversely affected if we are not able to secure sufficient service engagements from existing and/or new customers following the implementation of the above business strategies due to the additional costs incurred.

As such, there is no assurance that the execution of our business strategies will be successful, nor will we be able to anticipate all the risks and uncertainties that may arise during the implementation of these business strategies, which may materially affect the business operations and financial performance of our Group.

9.1.6 We face threat of cargo hijacking and thefts

Risks of cargo hijacking and thefts are inherent to the nature of our business as our trucking service includes transporting high-value and/or controlled goods such as pharmaceutical products and electronics products. Some of our transportation of high-value and/or controlled cargo are accompanied by our armed / unarmed cargo escort services as requested by our customers. Notwithstanding this, there can be no assurance that the risks of cargo hijacking and thefts are fully eliminated. The occurrence of cargo hijacking and thefts could be a result of amongst others, careless / incautious handling of cargo and/or integrity of drivers where they may collude with thieves / hijackers. Between the late 1990s and early 2000s period, we experienced 1 case of cargo hijacking which did not have any material impact to our Group. Subsequent to that, there has not been any cargo hijacking and theft incidents for more than 10 years and up to LPD. However, we are not able to guarantee that such incidents will not occur in the future.

Any occurrence of such incidents may cause us to be liable for the losses as we may be subject to claims by our customers, which may lead to adverse impact on our financial performance. Based on the arrangement between our Group and our customers, in the event if cargo hijacking or thefts were to occur, the maximum amount that can be claimed by our customers is detailed as follows:

(a) For airport-to-airport trucking services, the maximum claim per any one accident is either between RM1.0 million and RM1.5 million (depending on the agreed amount with our respective customers), based on the value of goods or based on 22 SDR per kg as per the limit of carrier liability in the case of destruction, loss, damage or delay in the carriage of cargo under the Montreal Convention, whichever is lower; and

(b) For point-to-point trucking services and container haulage services, the maximum claim per incident or per truck is either RM0.2 million (depending on the agreed amount with our respective customers), RM5 per kg or based on the value of goods, whichever amount is lower.

Further, the aftermath impact of cargo hijacking or theft includes damaged reputation, reduction in the demand for our services, loss of traffic and revenues, increased security and insurance costs and delays in shipment due to tightened security. All of which may have a spill-over effect negatively impacting the efficiency of our business operations and our financial performance.

9.1.7 Our shipments are subject to delays due to unexpected breakdown of our commercial vehicles or unexpected delays in delivery which are beyond our control

We rely on our fleet of commercial vehicles primarily for the provision of trucking services and container haulage services. These commercial vehicles are subject to unexpected breakdowns as a result of amongst others, accidents, engine failures and flat tyres. While we have an in-house vehicle maintenance team to monitor the usage of our commercial vehicles and scheduled maintenance programmes to ensure that our commercial vehicles are well-maintained, there can be no assurance that our commercial vehicles will not be exposed to unexpected breakdowns which may subsequently lead to delays in customer shipments. Please refer to Section 7.2.5 for further details on our commercial vehicle maintenance and repair activities.

Further, our shipments are also subject to delays due to unexpected delays in delivery caused by, amongst others, delays in flights, delays in customs clearance and delays in cargo loading at customers' premises. Such delays may consequently lead to delays in cargo pick-up by our Group and delays in shipments to the subsequent destinations.

As such, any prolonged delays in customer shipments due to unexpected breakdown of our commercial vehicles or unexpected delays in delivery may lead to disruptions in our affected customers' business operations and, interruptions to our business operations as other shipments may be delayed if the commercial vehicles involved are scheduled for other shipments within a short timeframe and if we do not have stand-by commercial vehicles to fulfil other scheduled shipments. Further, it may also result in a loss of sales if our customers decide to engage other service providers for their shipments. This may consequently affect our relationships with customers, financial performance and industry reputation. For FYE 2020, 2021, 2022 and 2023 and up to LPD, we did not experience any unexpected breakdown of commercial vehicles that led to delays in customer shipments beyond 12 hours as well as any unexpected delays in delivery that have led to major interruptions to our business operations or loss of sales.

9.1.8 Our business operations may face interruptions arising from disruptions to our computer and software systems

We operate our business in a computerised environment and we use various computer and software systems such as vehicle tracking and fleet management system, haulage management system, warehouse management system, express delivery management system as well as inventory management system to assist in ensuring smooth operations of our business. Please refer to Section 7.6 for details of the software used in our business.

However, our computer and software systems may be vulnerable to damage or disruptions caused by circumstances beyond our control, such as catastrophic events, power outages, slowdown in internet speed, natural disasters, computer system or network failures, computer viruses and cyber-attacks. Any damage or disruption to our computer and software systems may compromise our operations as well as cause transaction errors, loss of data, processing inefficiencies or downtime. Although we have not encountered any material risk of disruptions to our computer and software systems during the FYE 2020, 2021, 2022 and 2023 and up to LPD, we are not able to assure that disruptions to our computer and software systems will not occur in the future. A significant computer and software system disruption may affect our business, which may consequently lead to economic losses to us and damage to our reputation, and may result in our business operations and financial performance being adversely affected.

9.1.9 Our insurance coverage may not be adequate to cover all losses or liabilities that may arise in the course of our business operations

We maintain insurance that are customary in our industry to protect against various losses and liabilities. As at LPD, our Group has obtained insurance policies in regard to the protection against various losses and liabilities such as those listed below:

Insurance type	Sum insured (RM'000)
Burglary	2,250
Fidelity guarantee	250
Fire risk	36,171
Machine and equipment	2,090
Integrated transit liability(1)	3,500
Money	120
Public liability	1,000
Workmen's compensation	1,000
Total	**46,381**

Note:

(1) Integrated transit liability insurance which includes bailee and warehousemen legal liability insurance as well as third party liability.

However, while we regularly review and ensure adequate insurance coverage for our business, our insurance may not be adequate to cover all potential losses or indemnify us against all possible liabilities arising from our operations as a result of any unforeseen circumstances. We also cannot guarantee that we will be able to receive the full claimed amount based on all our claims submitted to the respective insurers. Moreover, we will be subject to the risk that we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates. If we were to incur a significant loss or liability for which we were not fully insured or our claims were not successful, our business and financial performance may be adversely affected. For FYE 2020, 2021, 2022 and 2023, there were no insurance claims made by our Group for the insurance types listed above.

9.1.10 The lack of long-term agreements with service obligations may result in the fluctuation of our Group's performance

While we have entered into agreements with 23 cargo and/or passenger airlines and general sales agent of airlines as at LPD, such agreements only outline the general terms of engagement and all shipments for our customers are still based on specific bookings and are subject to quotations. The lack of long-term agreements with service obligations is due to prevailing customer practices where the demand for our services is subject to our customers' needs, which depend on the logistics needs of their customers.

The absence of long-term agreements with service obligations may result in the fluctuation of our Group's sales and result in uncertainties over our overall financial performance. While we seek to maintain and strengthen business relationships with our existing customers and establish relationships with new customers to expand our client base, there can be no assurance that our customers will continue to engage our services to support their logistics needs. In such circumstances, our Group's result of operations and financial performance will be adversely affected if we are unable to timely replace any loss of sales.

9.1.11 We are exposed to foreign exchange fluctuation risks which may impact the profitability of our Group

For FYE 2020, 2021, 2022 and 2023, our sales from local customers were the largest contributor to our Group's revenue at approximately 60.6%, 51.8%, 58.1% and 54.1% respectively. Our customers are primarily based in Malaysia, with our remaining customers based in overseas countries or regions such as Singapore, Middle East, Europe, PRC, Asia, Australia, Türkiye and USA. Revenue generated from overseas customers were denominated in RM, EUR, USD, SGD and RMB; while revenue generated from local customers were mainly denominated in RM.

For FYE 2020, 2021, 2022 and 2023, our purchases for supplies and services primarily comprise diesel costs, maintenance expenses, toll and parking charges, insurance and road tax, handling charges as well as subcontracted drivers. Some of the supplies and services were purchased from overseas suppliers and were mainly denominated in SGD, USD, EUR and THB, while the remaining purchases from local suppliers were mainly denominated in RM. The purchases for supplies and services from our overseas suppliers for FYE 2020, 2021, 2022 and 2023 include purchase of spare parts for commercial vehicles, road tax as well as handling charges.

The breakdown of our revenue and purchases by currencies for FYE 2020, 2021, 2022 and 2023 are as follows:

	Audited							
	FYE 2020		**FYE 2021**		**FYE 2022**		**FYE 2023**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Revenue								
RM	41,825	97.1	51,067	97.7	56,159	99.0	51,262	98.6
EUR	353	0.8	874	1.7	337	0.6	258	0.5
USD	664	1.5	305	0.6	155	0.3	206	0.4
SGD	147	0.3	10	*	92	0.1	258	0.5
RMB	82	0.3	-	-	-	-	-	-
Total revenue	**43,071**	**100.0**	**52,256**	**100.0**	**56,743**	**100.0**	**51,984**	**100.0**
Purchases								
RM	13,925	96.2	16,999	96.7	16,447	98.0	14,730	98.5
SGD	493	3.4	461	2.6	187	1.1	73	0.5
USD	13	0.1	6	*	145	0.9	-	-
EUR	47	0.3	-	-	1	*	-	-
THB	-	-	119	0.7	-	-	155	1.0
Total purchases	**14,478**	**100.0**	**17,585**	**100.0**	**16,780**	**100.0**	**14,958**	**100.0**

Note:

* Representing less than 0.1%.

Our Group does not hedge our exposure to fluctuations in foreign currency exchange rates. Further, as at LPD, we have not entered into any forward foreign exchange contracts. As such, we are subject to foreign exchange fluctuation risk for our revenue and purchases denominated in foreign currencies which we transact.

A depreciation of the RM against the currencies which we transact will lead to higher revenue in RM after conversion, whereas it will also lead to higher cost of purchases in RM after conversion. Conversely, appreciation of the RM against the currencies which we transact will lead to lower revenue and lower cost of purchases in RM after conversion. In the event that we are unable to pass the increase in cost to our customers in a timely manner, our financial performance may be adversely affected due to the reduced GP margin from the higher cost of supplies.

9.1.12 We are subject to interest rate fluctuations

Our total outstanding loans and borrowings as at 31 December 2023 stood at RM54.8 million (excluding RM17.8 million which are fixed interest rate), and they are subject to floating interest rates. The floating interest rates for the abovementioned loan and borrowings as at FYE 2023 fall within a range of 4.86% to 8.20% per annum.

As such, we are susceptible to the interest rate fluctuations for loans and borrowings. Any significant increase in interest rates on our loans and borrowings will increase our finance cost and affect our financial performance. A change in 1% of interest rate would have increased / (decreased) our Group's profit before tax by RM548,485 for FYE 2023 (FYE 2022: RM337,457, FYE 2021: RM342,195 and FYE 2020: RM341,573), arising mainly as a result of lower / higher interest expense on floating rate loans and borrowings.

Please refer to Section 12.11 (b) for further details on the impact of interest rates on our Group.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We are exposed to the risk of shortage of drivers

Our Group employs drivers to operate commercial vehicles to carry out trucking, container haulage, express delivery and cargo escort services. There is a risk that we may face a shortage of drivers, whereby the number of suitable drivers may be insufficient to meet our needs. This may affect service delivery to customers and/or increase drivers' wages and benefits which will in turn result in an increase in operating costs for our Group. As at LPD, we employ a total of 103 drivers in Malaysia to support the provision of our trucking, container haulage, express delivery and cargo escort services. In addition, as at LPD, we also engaged 19 local freelance drivers as licensed drivers for our Group.

Whilst we did not experience any shortage of drivers for our operations for FYE 2020, 2021, 2022 and 2023 and up to LPD, there can be no assurance that we will be successful in continuously maintaining sufficient drivers for our business which may result in material disruptions to our business operations and financial performance in the future.

9.2.2 Our operations and delivery schedule may be affected by road accidents, traffic interruptions and congestion, and road closure due to adverse weather conditions and environmental factors

Our business operations mainly consist of the provision of trucking services and container haulage services which expose us to the risk of road accidents that may lead to damage of cargoes and containers and/or disrupt our delivery schedules. For FYE 2020, 2021, 2022 and 2023, there were 9, 15, 17 and 16 reported road accidents respectively involving our commercial vehicles. Further, occurrence of road accidents not involving our commercial vehicles may lead to traffic interruptions and congestion, which may subsequently disrupt our delivery schedule. Unexpected traffic interruptions and congestion may also occur due to other factors such as construction of roads which lead to closure of several lanes and setup of roadblocks, all of which may lead to delays in our delivery schedule.

Our operations are also susceptible to road closure due to adverse weather conditions and environmental factors such as flood and landslides. All of which may disrupt our business operations. Our delivery schedule for our trucking services experienced a slight delay in December 2021 whereby 2 shipments were delayed for few hours and 3 shipments were delayed for a day due to a serious flood causing road closure at Shah Alam, Selangor which in turn obstructed the road access to Port Klang, Selangor. Despite the slight delay in delivery, there was no claims against us by our affected customers.

Moving forward, any delay in our delivery schedule without prior notice to our customers may create adverse impacts to our reputation, business and results of operations.

9.2.3 We face competition risk due to the competitive and fragmented nature of the logistics and warehousing industry

We operate in a competitive and fragmented logistics and warehousing industry in Malaysia due to the large number of industry players including public listed companies, large private companies as well as small to medium enterprises. Larger industry players such as public listed companies and large private companies typically offer integrated logistics services including transportation, warehousing, customs clearance and freight forwarding which cover multiple states in Malaysia and/or cross-border services; as well as other related activities such as break-bulking, palletising and labelling that constitute a total logistics service package.

On the other hand, smaller industry players such as small to medium enterprises may only focus on certain logistics services. We compete with trucking service providers who are involved in the provision of airport-to-airport road feeder services as well as integrated logistics service providers who are involved in the provision of similar services as our Group. Please refer to Section 8 for further information on the competitive landscape of the logistics and warehousing industry and trucking industry in Malaysia.

Apart from the existing industry players, we may also face competition from new entrants. If we fail to remain competitive in the industry, our financial performance will be adversely impacted and it may also affect the sustainability of our business.

9.2.4 We are exposed to the risk of fluctuation in global fuel prices

Diesel is one of our major purchases as it is used to operate our fleet of commercial vehicles as set out under Section 7.10. Diesel costs accounted for approximately 31.6%, 33.0%, 32.9% and 34.2% of our total purchases of supplies and services respectively for FYE 2020, 2021, 2022 and 2023.

Diesel is a commodity where its price fluctuates with the movement in global crude oil prices, global demand and supply conditions as well as economy and government policies. According to the IMR Report, in early 2022, global crude oil prices increased significantly primarily due to the uncertainty and conflicts between Russia and Ukraine as well as between the USA and Russia. Russia is one of the world's largest producers of crude oil as well as a major exporter of natural gas. With its conflict and uncertainty with Ukraine, there were market fears that it may obstruct or limit the supply of crude oil in the market. The USA had also announced implementing sanctions against Russia which had led to an increase in demand for crude oil due to fears of supply disruptions. In the third quarter of 2022, prices of crude oil began to weaken due to concerns about global economic conditions, reduced expectations of petroleum demand growth and pressure from the strong USD. However, average crude oil prices in 2022 and 2023 were still higher than in 2021.

Further, as diesel in Malaysia is subsidised by the Government, in the event the Government decides to cancel or reduce the subsidy for diesel, we are susceptible to an increase in diesel prices which will increase our operating costs and have an adverse impact on our profitability, if we are unable to pass on the increase to our customers through corresponding increases in our rates. Notwithstanding that we may be able to pass on part of any increases in diesel prices to some of our customers, we may not be able to pass on the full effect of diesel price increase to our customers.

9.2.5 Our operations may be affected by disruption of transportation gateways, i.e. airports and seaports

Our provision of trucking services and container haulage services involve carrying cargo or container to and/or from transportation gateways comprising airports and/or seaports in Peninsular Malaysia, Singapore and/or Thailand. Please refer to Sections 7.2.1.1 and 7.2.1.2 for further details of the airports and seaports in which we cover for our trucking and container haulage services.

We may face business interruptions or disruptions from a number of disruptive events taking place at these airports and seaports such as upgrading works, ad-hoc repair and maintenance, accidents, fire, natural phenomena / adverse weather conditions (e.g. flood or storm), disruptions to their computer and software systems, industrial actions or strikes by employees of the gateways or terrorist attacks, all of which are beyond our control.

Any disruptive events at the gateway may result in closure of gateways or their facilities (including support facilities such as container depots, control tower, transport link or other distributive facilities), and any damage to the gateways or their facilities arising thereon may take considerable time to repair and may result in prolonged closure of such gateway or facilities. This may adversely affect our business operations and consequently affect our financial performance. For FYE 2020, 2021, 2022 and 2023 and up to LPD, we have not encountered any such event that has material impact to our business.

9.2.6 We are exposed to risks relating to the economic, political, legal and regulatory environments in the countries where we have service routes to and countries where our customers are based

Our Group operates in Malaysia and our service routes cover Peninsular Malaysia, Singapore and Thailand. Our business, prospects, financial condition and results of operations may be affected by any adverse developments, changes and/or uncertainties in the economic, political, legal and regulatory environments that are beyond our control in the countries where our service routes cover and countries where our customers are based. These risks include unfavourable changes in political conditions, economic conditions, interest rates, government policies and regulations, import and export restrictions, duties and tariffs, civil unrests, methods of taxation, inflation and foreign exchange controls. Any of these unfavourable changes may cause a decline in the demand for our Group's services, and consequently lead to a material adverse impact on our business and financial performance.

9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

9.3.1 There is no prior market for our Shares

Prior to our Listing, there was no public trading for our Shares. The listing of our Shares on the ACE Market does not guarantee that an active market for our Shares will develop or continue be developed upon or subsequent to our Listing.

There is also no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market upon or subsequent to our Listing.

9.3.2 Our Listing is exposed to the risk that it may be aborted or delayed

Our Listing may be aborted or delayed should any of the following occur:

(a) the selected investors fail to subscribe for their portion of our IPO Shares;

(b) our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein; and

(c) we are unable to meet the public shareholding spread requirement set by Bursa Securities, whereby at least 25.0% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

If any of these events occur, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of the Application within 14 days, failing which the provisions of Section 243(2) of the CMSA will apply.

If our Listing is aborted and/or terminated, and our Shares have been allotted to the investors, a return of monies to the investors could only be achieved by way of cancellation of share capital as provided under Sections 116 or 117 of the Act and its related rules.

Such cancellation requires the approval of shareholders by special resolution in a general meeting, with sanction of High Court of Malaya or with notice to be sent to the Director General of the Inland Revenue Board and ROC within 7 days of the date of the special resolution and us meeting the solvency requirements under Section 117(3) of the Act.

There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

9.3.3 The trading price and trading volume of our Shares following our Listing may be volatile

The trading price and volume of our Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and world bourses, inflow or outflow of foreign funds, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

9.4 OTHER RISKS

9.4.1 Our Promoters will be able to exert significant influence over our Company as they will continue to hold majority of our Shares after our IPO

Our Promoters will collectively hold approximately 74.5% of our enlarged share capital upon Listing. Because of the size of their shareholdings, our Promoters will have a deciding vote on the outcome of (i.e. to approve or reject) certain matters requiring the vote of shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities.

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10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Save as disclosed below, there were no transactions, existing and/or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them which are material to our Group during FYE 2020 to 2023 and up to LPD:

					Transaction value									
					FYE 2020		FYE 2021		FYE 2022		FYE 2023		1 January 2024 up to LPD	
Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Lille Property Sdn Bhd	SKL	• Alan Ong Lay Wooi • Angeline Ong Lay Shee • Adeline Ong Lay Suen	Alan Ong Lay Wooi and Angeline Ong Lay Shee are the directors and shareholders of Lille Property Sdn Bhd. Adeline Ong Lay Suen is the director of Lille Property Sdn Bhd. Alan Ong Lay Wooi, Angeline Ong Lay Shee and Adeline Ong Lay Suen are our Promoters, substantial shareholders and Directors.	Disposal of a piece of freehold land held under No. Hakmilik GM 5855, Lot No. 1942, Mukim Klang, Daerah Klang, Negeri Selangor(1)	-	-	4,800	(2)11.4	-	-	-	-	-	-
				Disposal of a piece of leasehold land held under No. Hakmilik PM 3203, Lot No. 5991, Mukim Tanjung Dua Belas, Daerah Kuala Langat, Negeri Selangor(1)	-	-	520	(2)1.2	-	-	-	-	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value FYE 2020 RM'000	FYE 2020 %	FYE 2021 RM'000	FYE 2021 %	FYE 2022 RM'000	FYE 2022 %	FYE 2023 RM'000	FYE 2023 %	1 January 2024 up to LPD RM'000	1 January 2024 up to LPD %
				Disposal of all that portion of 17/32 undivided shares of all that 1 piece of a freehold land held under No. Hakmilik GM 22372, Lot No. 15846, Mukim Klang, Daerah Klang, Negeri Selangor(1)	-	-	1,594	(2)3.8	-	-	-	-	-	-
				Disposal of all that portion of 17/32 undivided shares of all that 1 piece of a freehold land held under No. Hakmilik GM 22371, Lot No. 15841, Mukim Klang, Daerah Klang, Negeri Selangor(1)	-	-	1,806	(2)4.3	-	-	-	-	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value FYE 2020 RM'000	FYE 2020 %	FYE 2021 RM'000	FYE 2021 %	FYE 2022 RM'000	FYE 2022 %	FYE 2023 RM'000	FYE 2023 %	1 January 2024 up to LPD RM'000	1 January 2024 up to LPD %
Angeline Ong Lay Shee	SKL	Angeline Ong Lay Shee	Angeline Ong Lay Shee is our Promoter, substantial shareholder and Director.	Provision of advances to SKL for working capital purposes(3)	1,560	(2)5.6	210	(2)0.5	-	-	-	-	-	-
				Repayment to Angeline Ong Lay Shee(3)	973	(2)3.5	3,555	(2)8.4	-	-	-	-	-	-
Alan Ong Lay Wooi	SKL	Alan Ong Lay Wooi	Alan Ong Lay Wooi is our Promoter, substantial shareholder and Director.	Provision of advances to SKL for working capital purposes(3)	-	-	208	(2)0.5	-	-	-	-	-	-
				Repayment to Alan Ong Lay Wooi(3)	82	(2)0.3	3,866	(2)9.1	208	(2)0.5	-	-	-	-
Forecom HR Sdn Bhd	SKL	• Alan Ong Lay Wooi • Ong Yit Hwa	Alan Ong Lay Wooi and his uncle, Ong Yit Hwa were directors of Forecom HR Sdn Bhd. Alan Ong Lay Wooi is our Promoter, substantial shareholder and Director.	Provision of drivers to SK(4)	5,241	(5)21.7	2,762	(5)9.9	-	-	-	-	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value FYE 2020 RM'000	FYE 2020 %	FYE 2021 RM'000	FYE 2021 %	FYE 2022 RM'000	FYE 2022 %	FYE 2023 RM'000	FYE 2023 %	1 January 2024 up to LPD RM'000	1 January 2024 up to LPD %
			Ong Yit Hwa is our Deputy General Manager (Northern Region).											
Sepang Airport Services Sdn Bhd	SKL	• Alan Ong Lay Wooi • Angeline Ong Lay Shee	Alan Ong Lay Wooi was, and Angeline Ong Lay Shee is an indirect shareholder of Sepang Airport Services Sdn Bhd through Prefered Advantage. Both of them are presently directors of Sepang Airport Services Sdn Bhd. Alan Ong Lay Wooi and Angeline Ong Lay Shee are our Promoters, substantial shareholders and Directors.	Provision of handling services to SKL[(4)]	622	[(5)]2.6	515	[(5)]1.8	-	-	-	-	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Notes:

(1) The market prices of the lands which were appraised by an independent property valuer are as follows:

(i) a piece of freehold land held under No. Hakmilik GM 5855, Lot No. 1942: RM4.8 million;
(ii) a piece of leasehold land held under No. Hakmilik PM 3203, Lot No. 5991: RM0.5 million;
(iii) all that portion of 17/32 undivided shares of all that 1 piece of a freehold land held under No. Hakmilik GM 22372, Lot No. 15846: RM1.6 million; and
(iv) of all that portion of 17/32 undivided shares of all that 1 piece of a freehold land held under No. Hakmilik GM 22371, Lot No. 15841: RM1.8 million.

(2) Calculated based on our Group's NA attributable to the owners of our Company for each of the FYE.

(3) The advances were made by the related party for the working capital of SKL. The advances given were not conducted on arm's length basis as they were interest free. As at LPD, the advances from the related party have been fully settled. Moving forward, our Group will no longer receive any advances from the related party.

(4) The arrangements have ceased since June 2021 and October 2021 for Forecom HR Sdn Bhd and Sepang Airport Services Sdn Bhd respectively. Our Group has since ceased conducting such related party transactions, and the contracts of drivers under Forecom HR Sdn Bhd were not renewed. Instead, SK Fleet Management employed these contract drivers and assumed the role of supplying drivers to our Group. Forecom HR Sdn Bhd has been struck off on 2 May 2023. For avoidance of doubt, the ground handling services by Sepang Airport Services Sdn Bhd refers to the servicing of aircrafts in the airport, and is not part of the Group's principal activities.

(5) Calculated based on our Group's total cost of sales for each of the FYE.

Saved as disclosed in Note (3) above, our Board is of the view that all our related party transactions were conducted on an arm's length basis, as they are based on competitive commercial terms not more favourable to the related parties than those generally available to third parties and accordingly were not detrimental or unfavourable to our non-interested shareholders. The disposal of properties set out in the table above were transacted at market prices, as appraised by property valuer.

Our Directors have also confirmed that there are no material related party transactions that we had entered into with related parties but not yet effected up to LPD.

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Moving forward, in order to ensure that related party transactions are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

(a) Recurrent related party transactions

(i) At least 2 other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine if the price and terms offered by related parties are fair and reasonable and comparable to those offered by other third parties for the same or substantially similar type of products / services and/or quantities; or

(ii) If quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by other third parties for substantially similar type of transaction to ensure that the recurrent related party transactions are not detrimental to us.

Our Board shall seek mandate from shareholders to enter into any recurrent related party transactions at a general meeting. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into.

(b) Other related party transactions

(i) Whether the terms of the related party transaction are fair and on arm's length basis to our Group and would apply on the same basis if the transaction did not involve a related party;

(ii) The rationale for the Group to enter into the related party transaction and the nature of alternative transactions, if any; and

(iii) Whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and the nature of the related parties' interest in the transaction.

Where required under the Listing Requirements, a related party transaction may require prior approval of shareholders at a general meeting to be convened. An independent adviser may be appointed to comment as to whether the related party transaction is fair and reasonable so far as the shareholders are concerned; and whether the transaction is to the detriment of minority shareholders. In such instances, the independent adviser shall also advise minority shareholders on whether they should vote in favour of the transaction.

For related party transactions that require shareholders' approval, the Directors, major shareholders and/or persons connected with such Director or major shareholder, which have any interest, direct or indirect, in the proposed related party transaction will abstain from deliberating and voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transactions, the Director or major shareholder concerned will also abstain from deliberating and voting in respect of his direct and/or indirect shareholdings. The relevant Directors who are deemed interested or conflicted in such transactions shall also abstain from our Board deliberations and voting on the Board resolutions relating to these transactions.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. If a member of our Audit and Risk Management Committee has an interest in any related party transaction, he is to abstain from participating in the review and approval process in relation to that transaction. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

10.2 OTHER TRANSACTIONS

10.2.1 Transactions entered into that are unusual in their nature or conditions

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party for FYE 2020 to 2023 and up to LPD.

10.2.2 Outstanding loans (including guarantees of any kind)

(a) Outstanding loans and/or balances

As at LPD, there are no outstanding loans made by our Group to/for the benefit of a related party or granted by the related parties for the benefit of our Group.

(b) Guarantees

As at LPD, our Promoters, substantial shareholders and/or Directors, namely Lille Management, Alan Ong Lay Wooi and Angeline Ong Lay Shee have jointly and/or severally provided corporate guarantee and personal guarantees for the banking and hire purchase facilities extended by the following 11 financial and non-financial institutions:

<u>Banking facilities</u>

(i) Affin Bank Berhad ("**Affin**");
(ii) Alliance Bank Malaysia Berhad ("**Alliance**");
(iii) AmBank Islamic Berhad ("**AmBank Islamic**");
(iv) RHB Bank Berhad ("**RHB**");
(v) Hong Leong Bank Berhad ("**HLBB**"); and
(vi) Hong Leong Islamic Bank Berhad.

<u>Hire purchase facilities</u>

(i) Affin;
(ii) BMW Credit (Malaysia) Sdn Bhd;
(iii) Mitsubishi HC Capital Malaysia Sdn Bhd (formally known as Hitachi Capital Malaysia Sdn Bhd);
(iv) ORIX Credit Malaysia Sdn Bhd;
(v) Public Bank Berhad;
(vi) SMFL Hire Purchase Sdn Bhd; and
(vii) HLBB.

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Further, Prefered Advantage, a related party, had lent its financial strength together with our Promoters to provide its corporate guarantee to obtain banking facilities extended by the following financial institutions to our Group ("**Third-party Guarantees**"):

(i) Alliance;
(ii) AmBank Islamic; and
(iii) RHB.

(All institutions above are collectively referred to as the "**Financiers**").

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10. RELATED PARTY TRANSACTIONS *(Cont'd)*

The details of the facilities are set out as follows:

Financiers	Type of facilities	Outstanding balance as at LPD RM'000	Facility limit RM'000	Guarantors
Banking facilities				
Affin	• 3 term loans	18,159	18,730	• Lille Management • Alan Ong Lay Wooi • Angeline Ong Lay Shee
Alliance	• 4 term loans • 1 bank guarantee	19,953	27,000	• Prefered Advantage • Lille Management • Alan Ong Lay Wooi • Angeline Ong Lay Shee
AmBank Islamic	• 2 term financing to SKL	2,713	6,200	• Prefered Advantage • Alan Ong Lay Wooi • Angeline Ong Lay Shee
AmBank Islamic	• 2 term financing to SK Property Management	6,083	7,240	• SKL • Prefered Advantage • Alan Ong Lay Wooi • Angeline Ong Lay Shee
RHB	• 1 term loan	325	2,500	• Prefered Advantage • Alan Ong Lay Wooi • Angeline Ong Lay Shee
HLBB	• 1 trade facility • 1 forward exchange contract facility	-	5,000	• Alan Ong Lay Wooi • Angeline Ong Lay Shee

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Financiers	Type of facilities	Outstanding balance as at LPD RM'000	Facility limit RM'000	Guarantors
Hong Leong Islamic Bank Berhad	• 5 term financing	6,970	118,285	• Alan Ong Lay Wooi • Angeline Ong Lay Shee
	Sub-total	54,203	184,955	
Hire purchase facilities				
Affin	• 2 hire purchase facilities	862	1,120	• Alan Ong Lay Wooi • Angeline Ong Lay Shee
BMW Credit (Malaysia) Sdn Bhd	• 33 hire purchase facilities	3,639	6,413	• Alan Ong Lay Wooi • Angeline Ong Lay Shee
Mitsubishi HC Capital Malaysia Sdn Bhd	• 28 hire purchase facilities	4,957	6,538	• Alan Ong Lay Wooi • Angeline Ong Lay Shee
ORIX Credit (Malaysia) Sdn Bhd	• 15 hire purchase facilities	1,781	2,878	• Alan Ong Lay Wooi • Angeline Ong Lay Shee
Public Bank Berhad	• 3 hire purchase facilities	22	379	Angeline Ong Lay Shee
SMFL Hire Purchase (Malaysia) Sdn Bhd	• 52 hire purchase facilities	2,083	5,298	• Alan Ong Lay Wooi • Angeline Ong Lay Shee
HLBB	• 12 hire purchase facilities	2,445	2,568	• Alan Ong Lay Wooi • Angeline Ong Lay Shee
	Sub-total	15,789	25,194	
	Total	**69,992**	**210,149**	

In conjunction with our Listing, we have applied to the Financiers to obtain a release and/or discharge of all the corporate and/or personal guarantees as well as the Third-party Guarantees.

As at LPD, we have received conditional and unconditional approvals from all the Financiers to discharge the above guarantees. The approvals from the Financiers are subject to, amongst others:

(i) the successful listing of our Company;

(ii) Alan Ong Lay Wooi or/and Angeline Ong Lay Shee or/and Adeline Ong Lay Suen or/and Ameline Ong Lay Ling or/and Alex Ong Lay Ming to remain as main shareholders throughout the facility granted by Hong Leong Islamic Bank Berhad and HLBB (collectively, minimum of 51% direct and indirect shareholding) upon the successful listing of our Company. In the event of any changes, the main shareholders should only be replaced with family members of the said shareholders. The shareholders (including Alan Ong Lay Wooi) should hold the management control in our Company; and

(iii) there being no adverse findings on our Company based on the Central Credit Reference Information System and Credit Tip-Off Service searches at the time of our request for final approval upon Listing.

In the unlikely event where there are adverse findings on our Company based on the Central Credit Reference Information System and Credit Tip-Off Service searches at the time of our request for final approval upon Listing, the Financier, in particular, Affin, is entitled to withdraw the conditional consent to discharge the guarantees provided by Lille Management, Alan Ong Lay Wooi and Angeline Ong Lay Shee. In this event, the guarantees will remain intact, and our Group may be required to repay the total outstanding amount under the facilities or refinance such facilities from other financier. We do not foresee this to have any material adverse impact to our Group's operation and financials as our Group is able to obtain replacement for the facilities currently extended by Affin.

10.2.3 Transactions entered into with M&A Securities

Save as disclosed below, we have not entered into any transactions with M&A Securities who is the Adviser, Sponsor, Placement Agent and Underwriter for our Listing:

(a) Agreement dated 27 July 2021 between SKL and M&A Securities for the appointment of M&A Securities as Adviser, Sponsor and Placement Agent for our Listing; and

(b) Underwriting Agreement dated 1 April 2024 entered into between our Company and M&A Securities for the underwriting of 105,000,000 Issue Shares.

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11. CONFLICT OF INTEREST

11.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND SUPPLIERS

As at LPD, none of our Directors and substantial shareholders has any interest, direct or indirect, in:

(a) other businesses and corporations which are carrying on a similar trade as our Group; and

(b) the business of our customers and suppliers.

It is our Director's fiduciary duty to avoid conflict and in order to mitigate any possible conflict of interest situation in the future, our Directors will declare to our Nominating and Remuneration Committee and our Board, their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group. Our Nominating and Remuneration Committee will then first evaluate if such Director's involvement gives rise to an actual or potential conflict of interest with our Group's business after the disclosure provided by such Director. After a determination has been made on whether there is an actual or potential conflict of interest of a Director, our Nominating and Remuneration Committee will then:

(a) immediately inform our Audit and Risk Management Committee and our Board of the conflict of interest situation;

(b) after deliberation with our Audit and Risk Management Committee, to make recommendations to our Board to direct the conflicted Director to:

   (i) withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director); and

   (ii) abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (b)(ii) above, the conflicted Director and persons connected to him (if applicable) shall be absent from any Board discussion relating to the recommendation of our Nominating and Remuneration Committee and the conflicted Director and persons connected to him (if applicable) shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairman of our Board, be present at our Board meeting to answer any questions.

In circumstances where a Director is determined to have a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary responsibility to our Group, our Nominating and Remuneration Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

Where there are related party transactions between our Group with our Directors (or person connected to them) or companies in which our Directors (or person connected to them) have an interest, our Audit and Risk Management Committee will, amongst others, supervise and monitor such related party transaction and the terms thereof and report to our Board for further action. Please refer to Section 10.1 for the procedures to be taken to ensure that related party transactions (if any) are undertaken on arm's length basis.

11.2 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS

(a) M&A Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Adviser, Sponsor, Placement Agent and Underwriter for our Listing;

(b) Rosli Dahlan Saravana Partnership has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Solicitors for our Listing;

(c) UHY has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing; and

(d) Smith Zander International Sdn Bhd has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as IMR for our Listing.

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12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

Our historical financial information throughout FYE 2020 to 2023 has been prepared in accordance with MFRS and IFRS. The following selected financial information is not intended to predict our Group's financial position, results and cash flows. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and the Accountants' Report set out in Sections 12.2 and 13 respectively.

12.1.1 Historical audited statements of profit or loss and other comprehensive income

The following table sets out a summary of our audited statements of profit or loss and other comprehensive income for FYE 2020 to 2023 which have been extracted from the Accountants' Report.

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	43,071	52,256	56,743	51,984
Cost of sales	(24,113)	(27,776)	(28,699)	(27,955)
GP	**18,958**	**24,480**	**28,044**	**24,029**
Other income	143	3,714	112	247
Administrative expenses	(6,723)	(8,423)	(10,276)	(10,967)
Profit from operations	**12,378**	**19,771**	**17,880**	**13,309**
Finance costs	(2,104)	(2,267)	(2,657)	(3,628)
PBT	**10,274**	**17,504**	**15,223**	**9,681**
Taxation	(886)	(3,000)	(2,880)	(3,274)
PAT	**9,388**	**14,504**	**12,343**	**6,407**
Other comprehensive income / (loss)				
Exchange translation differences of foreign operations	*	(14)	(6)	(6)
Total comprehensive income	**9,388**	**14,490**	**12,337**	**6,401**
PAT attributable to:				
Owners of our Company	9,385	14,496	12,339	6,418
Non-controlling interests	3	8	4	(11)
PAT	**9,388**	**14,504**	**12,343**	**6,407**
Total comprehensive income attributable to:				
Owners of our Company	9,385	14,482	12,333	6,412
Non-controlling interests	3	8	4	(11)
Total comprehensive income for the financial years	**9,388**	**14,490**	**12,337**	**6,401**
EBIT(1)	12,378	19,771	17,880	13,309
EBITDA(1)	14,748	22,742	21,269	18,061
GP margin (%)(2)	44.0	46.8	49.4	46.2
PBT margin (%)(3)	23.9	33.5	26.8	18.6
PAT margin (%)(3)	21.8	27.8	21.8	12.3
Effective tax rate (%)(4)	8.6	17.1	18.9	33.8
EPS (sen)(5)	0.8	1.2	1.0	0.5

Notes:

* Less than RM1,000.

(1) EBIT and EBITDA are calculated as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
PAT	9,388	14,504	12,343	6,407
Add:				
Finance costs	2,104	2,267	2,657	3,628
Taxation	886	3,000	2,880	3,274
EBIT	**12,378**	**19,771**	**17,880**	**13,309**
Add:				
Depreciation of property, plant and equipment	903	896	886	1,025
Amortisation of right-of-use assets	1,467	2,075	2,503	3,727
EBITDA	**14,748**	**22,742**	**21,269**	**18,061**

(2) GP margin is calculated based on GP over revenue.

(3) PBT or PAT margin is calculated based on PBT or PAT over revenue.

(4) Effective tax rate is calculated based on tax expense divided by PBT.

(5) Calculated based on PAT attributable to owners of our Company over enlarged share capital of 1,200,000,000 Shares upon Listing.

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12.1.2 Historical audited statements of financial position

The following table sets out the audited statements of financial position as at 31 December 2020, 2021, 2022 and 2023 which have been extracted from the Accountants' Report.

	Audited			
	As at 31 December			
	2020	**2021**	**2022**	**2023**
ASSETS	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Non-current assets				
Property, plant and equipment	46,397	42,559	46,344	59,751
Investment properties	14,467	14,467	12,625	12,625
Right-of-use assets	9,625	13,513	21,757	40,348
Other investments	5	5	5	5
Total non-current assets	**70,494**	**70,544**	**80,731**	**112,729**
Current assets				
Inventories	-	3,078	3,105	2,918
Trade receivables	6,939	8,399	7,022	7,986
Other receivables	1,816	1,569	3,667	3,925
Amount due from:				
• former holding company	44	-	-	-
• former related companies	667	-	-	-
Tax recoverable	6	4	274	612
Cash and bank balances	5,684	9,461	15,809	10,149
Total current assets	**15,156**	**22,511**	**29,877**	**25,590**
Total assets	**85,650**	**93,055**	**110,608**	**138,319**
EQUITY				
Share capital	8,000	8,000	8,000	8,000
Reserves	19,792	34,257	45,791	52,203
Equity attributable to the owners of our Company	27,792	42,257	53,791	60,203
Non-controlling interests	(78)	73	76	65
Total equity	**27,714**	**42,330**	**53,867**	**60,268**
LIABILITIES				
Non-current liabilities				
Lease liabilities	5,471	7,198	12,572	12,062
Loans and borrowings	31,681	31,078	29,802	49,727
Deferred tax liabilities	1,316	2,260	2,797	3,828
Total non-current liabilities	**38,468**	**40,536**	**45,171**	**65,617**
Current liabilities				
Trade payables	904	1,139	538	186
Other payables	8,954	1,442	1,589	1,379
Dividends payable	4,000	-	-	-
Amount due to former related companies	656	51	-	-
Tax payable	140	220	4	28
Lease liabilities	2,337	4,195	5,495	5,720
Loan and borrowings	2,477	3,142	3,944	5,121
Total current liabilities	**19,468**	**10,189**	**11,570**	**12,434**
Total liabilities	**57,936**	**50,725**	**56,741**	**78,051**
Total equity and liabilities	**85,650**	**93,055**	**110,608**	**138,319**

12.1.3 Historical audited statements of cash flows

The following table sets out the audited statements of cash flows for FYE 2020 to 2023 which have been extracted from the Accountants' Report.

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flow from operating activities				
PBT	10,274	17,504	15,223	9,681
Adjustments for:				
Amortisation of rights-of-use assets	1,467	2,075	2,503	3,727
Bad debts written off	-	4	-	-
Depreciation of property, plant and equipment	903	896	886	1,025
Finance costs	2,104	2,267	2,657	3,628
(Gain) / Loss on disposal of property, plant and equipment	-	(2,505)	(3)	*
Gain on modification of lease term	-	-	(9)	(*)
Gain on stuck off of investment in a subsidiary company	(22)	-	-	-
Interest income	-	-	*	(6)
(Gain) / Loss on disposal of investment in subsidiary companies	-	(926)	12	-
(Gain) / Loss on disposal of right-of-use assets	-	(88)	27	49
Property, plant, and equipment written off	-	178	*	-
Right-of-use assets written off	-	-	-	63
Unrealised (gain) / loss on foreign exchange	(21)	(101)	32	(49)
Operating profit before working capital changes	14,705	19,304	21,328	18,118
Change in working capital:				
Inventories	-	(3,078)	(28)	187
Trade receivables	(2,794)	(1,466)	1,384	(965)
Other receivables	227	737	(928)	(2,384)
Trade payables	125	235	(601)	(351)
Other payables	(3,311)	322	363	(211)
Former related companies	636	(656)	-	-
Cash generated from operations	9,588	15,398	21,518	14,394
Tax paid	(933)	(1,977)	(2,826)	(2,558)
Tax refunded	-	-	-	1
Net cash from operating activities	**8,655**	**13,421**	**18,692**	**11,837**

12. FINANCIAL INFORMATION *(Cont'd)*

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flow from investing activities				
Acquisition of property, plant and equipment	(398)	(3,011)	(2,830)	(5,535)
Acquisition of investment properties	(352)	-	-	-
Acquisition of right-of-use assets	-	-	-	(2,379)
Deposits paid for acquiring property, plant and equipment and right-of-use assets	-	(572)	(1,626)	(18)
Decrease in ownership interests in a subsidiary company	-	68	-	-
Increase in ownership interests in a subsidiary company	-	(20)	-	-
Interest received	-	-	*	6
Proceeds from disposal of property, plant and equipment	-	8,281	3	*
Proceeds from disposal of right-of-use assets	-	696	324	238
Proceeds from disposal of subsidiary companies, net of cash	-	725	425	-
Net cash (used in) / from investing activities	**(750)**	**6,167**	**(3,704)**	**(7,688)**
Cash flow from financing activities				
Dividends paid	-	(4,000)	(800)	-
Interest paid	(2,021)	(2,272)	(2,654)	(3,634)
Payments of lease liabilities	(2,284)	(2,987)	(4,414)	(5,721)
Proceeds from term loans	2,500	3,000	3,000	3,880
Repayment of term loans	(1,647)	(3,042)	(3,477)	(4,381)
Advance from / (Repayment to):				
• directors	505	(7,361)	(208)	-
• former holding company	(20)	44	-	-
• former related companies	(652)	718	(51)	-
Net cash used in financing activities	**(3,619)**	**(15,900)**	**(8,604)**	**(9,856)**
Net increase / (decrease) in cash and cash equivalents	**4,286**	**3,688**	**6,384**	**(5,707)**
Cash and cash equivalents at the beginning of the financial year	**1,395**	**5,684**	**9,461**	**15,809**
Effect of exchange translation differences on cash and bank balances	3	89	(36)	47
Cash and cash equivalents at the end of the financial year	**5,684**	**9,461**	**15,809**	**10,149**

Note:

* Less than RM1,000.

12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion and analysis of our audited financial statements for FYE 2020 to 2023 should be read with the Accountants' Report included in Section 13.

12.2.1 Overview of our operations

(a) Principal activities

We are an integrated logistics service provider principally involved in the provision of trucking services with a focus on airport-to-airport road feeder services. Additionally, we also provide container haulage services, warehousing and distribution services as well as other logistics-related services to our customers.

Our core business activities are as follows:

(i) Provision of trucking services

Our trucking services entail domestic and cross-border road transportation of domestic, import and export cargoes between two locations using our own fleet of commercial vehicles. Our domestic trucking services cover service routes within Peninsular Malaysia whereas our cross-border trucking services cover countries, namely Peninsular Malaysia, Singapore and Thailand. Further, our trucking services can be segmented into airport-to-airport road feeder services and point-to-point trucking services. Further details of the segmentation of our provision of trucking services are as follows:

(aa) Airport-to-airport road feeder services

Airport-to-airport road feeder service is a road transportation service on a FTL and LTL basis involving the transportation of customers' export and import cargo between two airports. We provide both domestic and cross-border airport-to-airport road feeder services.

(bb) Point-to-point trucking services

We provide point-to-point trucking services on a FTL and LTL to customers who require transportation services for their domestic, import and/or export cargo from one or multiple designated pick-up point(s) to one or multiple designated drop-off point(s). We provide both domestic and cross-border point-to-point trucking services.

(ii) Provision of container haulage services

Our container haulage services refer to the services of transporting containers between Port Klang, Selangor (i.e. Northport and Westport) and the customer's specified location (e.g. warehouse, distribution centre and factory) in Peninsular Malaysia or our Group's warehouse. We provide inbound and outbound container movements where inbound container movement involves the delivery of laden containers from Port Klang, Selangor to our customer's specified location or our Group's warehouse; while outbound container movement involves the delivery of laden containers from our customer's specified location or our Group's warehouse to Port Klang, Selangor.

(iii) Provision of warehousing and distribution services

We provide warehousing and distribution services to support our customers in terms of storage and distribution needs. Our customers for our warehousing and distribution services mainly comprise manufacturers, wholesalers, traders, and local and international freight forwarders.

We offer storage services and handling services (i.e. loading and unloading of goods into/ from commercial vehicles) for bonded and non-bonded goods, which include pharmaceutical products, personal protective equipment, electrical and electronic products, large, odd-size and/or heavy equipment or machinery, other general cargo and bulk cargo. The bonded and non-bonded goods may either be stored under ambient temperature or temperature-controlled environment (i.e. cold room facilities comprising chilled, freezer and/or air-conditioned room).

(iv) Provision of other logistics-related services

We also provide other logistics-related services, including licensed brokerage and forwarding services, express delivery services as well as cargo escort services.

For further details, please refer to Section 7.2 for our Group's detailed business overview.

(b) Revenue

Our revenue is generated mainly from the provision of trucking services, container haulage services as well as warehousing and distribution services which collectively contributed 97.1%, 97.2%, 95.9% and 97.5% of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FYE 2023.

Revenue from the provision of trucking, container haulage, warehousing (other than rental) and distribution and other logistics-related services are recognised when our Group satisfies a performance obligation ("**PO**") by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

Revenue from rendering of services such as licensed brokerage and forwarding as well as cargo escort services are recognised in the reporting period in which the services are rendered to the customer, wherein our Group has a present right to payment for the services.

Rental income from the provision of warehousing and distribution services is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(c) Cost of sales

Our cost of sales comprises mainly manpower costs for drivers, diesel costs, maintenance expenses, toll and parking charges, direct labour costs, handling charges, amortisation of right-of-use assets, and insurance and road tax.

(d) Other income

Other income comprises mainly gain on strike off of investment in a subsidiary, gain on disposal of property, plant and equipment, gain on disposal of subsidiaries and insurance compensation.

(e) Administrative expenses

Administrative expenses comprise mainly overheads incurred to maintain our operations such as the depreciation of property, plant and equipment, amortisation of right-of-use assets, directors' remuneration and employee-related costs.

(f) Finance costs

Finance costs comprise interest expenses on our loans and borrowings as well as lease liabilities.

(g) Exceptional and extraordinary items and audit qualifications

There were no exceptional or extraordinary items during FYE 2020 to 2023. In addition, the audited financial statements of our Group for FYE 2020 to 2023 were not subject to any audit qualifications.

(h) Significant factors affecting our business

Section 9 sets out the risk factors relating to our business and the industry in which we operate in. Some of these risk factors have an impact on our revenue and financial performance. The main factors which affect our revenues and profits include, but are not limited to, the following:

(i) Our growth may be affected by any changes in the performance of the air freight industry

The performance of our Group may be affected by any changes in the performance of the air freight industry as our provision of trucking services focuses on airport-to-airport road feeder services. Our airport-to-airport road feeder services enable airlines to have extensive network coverage to support the logistics needs of their customers. Thus, our financial performance theoretically moves in tandem with the performance of the air freight industry.

Any future global events similar to the outbreak of the COVID-19 pandemic which may impact the global aviation industry and subsequently the air freight industry, may in turn affect the demand for our airport-to-airport road feeder services. Consequently, this may have a material adverse impact on our business operations and financial performance.

(ii) We may not be able to renew or obtain approvals, licences and permits required to carry on our business in countries which we have service routes to

Our Group operates in Malaysia and our service routes cover Peninsular Malaysia, Singapore and Thailand. The logistics industries in Malaysia, Singapore and Thailand are regulated by specific legislations requiring companies undertaking logistics business to have various approvals, licences and permits from relevant government authorities.

In the event of non-compliance, these approvals, licences or permits may be revoked or may not be renewed upon expiry. Further, the relevant government authorities may take actions by issuing warnings, imposing penalties, suspending the approvals, licences or permits, shortening the validity periods, imposing additional conditions or restrictions, and/or revoking the approvals, licences or permits, for any breach or non-compliance. Any revocation or failure to obtain, maintain or renew any of these approvals, licences and permits may adversely affect our ability to continue operations and hence affect our financial performance.

(iii) We are dependent on 2 of our major customers who contributed substantially to our revenue

For FYE 2020, 2021, 2022 and 2023, our largest major customer was Customer A who contributed 20.6%, 22.8%, 19.5% and 16.9% of our Group's total revenue respectively, where we provided trucking, licensed brokerage and forwarding as well as cargo escort services. Further, our Group's other major customer, Customer C, contributed 11.2%, 11.7%, 12.7% and 12.7% of our Group's total revenue for FYE 2020, 2021, 2022 and 2023 respectively, where we provided trucking, container haulage, warehousing and distribution, licensed brokerage and forwarding as well as express delivery services. In view that Customer A and Customer C have each contributed more than 10.0% of our Group's revenue in the respective FYE 2020, 2021, 2022 and 2023, we are dependent on them.

Our Group's sales with Customer A and Customer C are based on bookings. As at LPD, our Group has enjoyed a 11-year and 13-year long term working relationships with Customer A and Customer C respectively, which is expected to continue in the future. Nonetheless, in the event of a termination or loss of Customer A and/or Customer C, as well as our inability to replace Customer A and/or Customer C with new customers or with additional sales from existing customers in a timely manner, this could result in a loss of revenue which may have an adverse impact on our financial performance. Moreover, even though we may be able to secure new customers, there is no assurance that we will be able to achieve the same level of sales value and maintain and/or improve our profit margins. If such adverse events occur, our financial performance may be adversely affected.

(iv) The lack of long-term agreements with service obligations may result in the fluctuation of our Group's performance

While we have entered into agreements with 23 cargo and/or passenger airlines and general sales agent of airlines as at LPD, such agreements only outline the general terms of engagement and all shipments for our customers are still based on specific bookings and are subject to quotations. The lack of long-term agreements with service obligations is due to prevailing customer practices where the demand for our services is subject to our customers' needs, which depend on the logistics needs of their customers.

The absence of long-term agreements with service obligations may result in the fluctuation of our Group's sales and result in uncertainties over our overall financial performance. While we seek to maintain and strengthen business relationships with our existing customers and establish relationships with new customers to expand our client base, there can be no assurance that our customers will continue to engage our services to support their logistics needs. In such circumstances, our Group's result of operations and financial performance will be adversely affected if we are unable to timely replace any loss of sales.

(v) We are exposed to the risk of fluctuation in global fuel prices

Diesel is one of our major purchases as it is used to operate our fleet of commercial vehicles. Diesel accounted for approximately 31.6%, 33.0%, 32.9% and 34.2% of our total purchases of supplies and services respectively for FYE 2020, 2021, 2022 and 2023.

As diesel in Malaysia is subsidised by the Government, in the event the Government decides to cancel or reduce the subsidy for diesel, we are susceptible to an increase in diesel prices which will increase our operating costs and have an adverse impact on our profitability, if we are unable to pass on the increase to our customers through corresponding increases in our rates. Notwithstanding that we may be able to pass on part of any increases in diesel prices to some of our customers, we may not be able to pass on the full effect of diesel price increase to our customers.

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12.2.2 Review of our results of operations

(a) Revenue

Revenue by business segment

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Trucking services								
- Airport-to-airport road feeder services	24,543	57.0	32,593	62.4	28,739	50.6	27,022	52.0
- Point-to-point trucking services	10,332	24.0	10,953	21.0	14,469	25.5	10,553	20.3
	34,875	81.0	43,546	83.4	43,208	76.1	37,575	72.3
Container haulage services	4,164	9.7	3,470	6.6	4,399	7.8	4,940	9.5
Warehousing and distribution services	2,777	6.4	3,775	7.2	6,828	12.0	8,178	15.7
Other logistics-related services[1]	1,255	2.9	1,465	2.8	2,308	4.1	1,291	2.5
Total revenue	**43,071**	**100.0**	**52,256**	**100.0**	**56,743**	**100.0**	**51,984**	**100.0**

Note:

(1) Comprises licensed brokerage and forwarding services, express delivery services as well as cargo escort services.

Revenue by customer type

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Airlines	23,157	53.8	28,458	54.5	26,369	46.5	19,811	38.1
Local and international freight forwarders	15,038	34.9	15,333	29.3	22,701	40.0	19,941	38.4
General sales agents of airlines[1]	1,071	2.5	4,235	8.1	2,643	4.6	7,528	14.5
Others[2]	3,805	8.8	4,230	8.1	5,030	8.9	4,704	9.0
Total revenue	**43,071**	**100.0**	**52,256**	**100.0**	**56,743**	**100.0**	**51,984**	**100.0**

Notes:

(1) General sales agents of airlines refer to companies that are appointed by airlines to handle cargo sales and logistics for the airlines.

(2) Others include customers such as manufacturers, traders and online retailers.

The Group has a total of 89, 93, 99 and 126 customers for FYE 2020, 2021, 2022 and 2023 respectively.

The table below sets forth the breakdown of our Group's revenue by volume for FYE 2020 to 2023:

	Unit	FYE 2020	FYE 2021	FYE 2022	FYE 2023
Trucking services					
- Airport-to-airport road feeder services					
• Service A(1)	Chargeable weight ('000 kg)	23,216	30,320	25,365	25,723
• Service B(2)	Number of trips	4,957	6,004	4,225	1,312
- Point-to-point trucking services	Number of trips	33,683	33,079	29,781	21,912
Container haulage services	TEU	7,236	5,740	9,992	11,352
Warehousing and distribution services	Annual available capacity (Number of pallets)	(3)42,160	(3)41,760	(4)86,303	(5)133,140
	Utilisation rate (%)(6)	92.4	91.7	75.8	75.3

Notes:

(1) Airport-to-airport road feeder service A comprises airport-to-airport road feeder, custom brokerage and escort services.

(2) Airport-to-airport road feeder service B comprises solely airport-to-airport road feeder services and excludes custom brokerage and escort services.

(3) Consists of the total annual available capacity of 5 units of rented Penang Island warehouse and our Shah Alam Warehouse but excludes our Shah Alam Warehouse's cold room facility which can store up to 16,824 pallets as the floor and air-conditioning were under repair and maintenance and hence, was not in use during FYE 2020 and FYE 2021. We resumed the provision of cold room warehousing services at our Shah Alam Warehouse during FYE 2022. The decrease in the annual available capacity during FYE 2021 was mainly attributable to the termination of 2 units of rented Penang Island warehouse in June 2020.

(4) Consists of the total annual available capacity of (i) our Shah Alam Warehouse (including cold room facility); (ii) 3 units of rented Penang Island warehouse, which ceased operations upon the expiration of its tenancy in March 2022; (iii) our Bukit Mertajam Warehouse which commenced operations in March 2022; (iv) a newly rented Butterworth Warehouse which commenced operations in March 2022; and (v) a newly rented Bukit Minyak Warehouse which commenced operations in December 2022.

(5) Consists of the total annual available capacity of (i) our Shah Alam Warehouse (including cold room facility); (ii) our Bukit Mertajam Warehouse; (iii) rented Butterworth Warehouse; (iv) rented Bukit Minyak Warehouse; and (v) Port Klang Warehouse which commenced operations in November 2023.

(6) Utilisation rate is computed by dividing the actual pallet space utilised over the annual available capacity.

Comparison between FYE 2020 and FYE 2021

Our revenue increased by RM9.2 million or 21.3% for FYE 2021 from RM43.1 million in FYE 2020 to RM52.3 million in FYE 2021. The increase was mainly contributed by our revenue from the trucking services segment which increased by RM8.6 million or 24.6% to RM43.5 million for FYE 2021 (FYE 2020: RM34.9 million).

The trucking services segment was our largest revenue contributor, contributing RM43.5 million or 83.4% of our total revenue for FYE 2021 (FYE 2020: RM34.9 million or 81.0%).

Trucking services

Our airport-to-airport road feeder services contributed RM32.6 million or 74.9% of our revenue for the trucking services segment for FYE 2021 (FYE 2020: RM24.6 million or 70.5%). Our point-to-point trucking services contributed RM10.9 million or 25.1% of our revenue for the trucking services segment for FYE 2021 (FYE 2020: RM10.3 million or 29.5%).

Revenue from the trucking services segment increased by RM8.6 million or 24.6% to RM43.5 million for FYE 2021 (FYE 2020: RM34.9 million), mainly attributable to revenue from our airport-to-airport road feeder services which increased by RM8.0 million or 32.5% to RM32.6 million for FYE 2021 (FYE 2020: RM24.6 million). The increase in revenue from our airport-to-airport road feeder services was mainly due to:

(i) higher demand for air freight services arising from growth in demand for e-commerce cargo and the global shipping container shortage during the COVID-19 pandemic; and

(ii) higher demands for transporting pharmaceutical goods such as vaccines, gloves and masks during the COVID-19 pandemic.

Thus, our truckload for airport-to-airport road feeder services A increased to 30,320 tonnes for FYE 2021 (FYE 2020: 23,216 tonnes), and the number of trips for airport-to-airport road feeder services B had also increased from 4,957 trips for FYE 2020 to 6,004 trips for FYE 2021.

Revenue from our point-to-point road trucking services increased by RM0.6 million or 5.8% to RM10.9 million for FYE 2021 (FYE 2020: RM10.3 million) despite the decrease in number of trips from 33,683 trips for FYE 2020 to 33,079 trips for FYE 2021, mainly attributable to the following:

(i) the resumption of business operations resulting from the relaxation of the movement controls implemented by the Government;

(ii) higher demand for the bigger trucks leading to fewer trips but overall higher revenue per trip during FYE 2021, which customers were mainly retailers and manufacturers who were increasing their inventory levels in anticipation of the global supply chain disruption resulting from the COVID-19 pandemic; and

(iii) higher demand for our point-to-point trucking services for air freight deliveries to/from factories, warehouses and airports, being deliveries that were diverted from sea freight to air freight services as a result of global shipping container shortage during the COVID-19 pandemic as majority of our customers from airlines as well as general sales agents of airlines use our point-to-point services for air freight deliveries requiring deliveries beyond airport-to-airport routes.

Container haulage services

Revenue from the container haulage services segment decreased by RM0.7 million or 16.7% to RM3.5 million for FYE 2021 (FYE 2020: RM4.2 million). The said decrease was mainly attributable to lower demand for our container haulage services resulting from the global supply chain disruption and shipping container shortage arising from the COVID-19 pandemic, lockdowns and movement restrictions imposed globally. This has led to our customers not being able to secure containers for the shipment of their goods. Thus, our sales volume has decreased from 7,236 TEU of containers for FYE 2020 to 5,740 TEU of containers for FYE 2021.

Warehousing and distribution services

Our warehouse storage services contributed RM2.5 million or 65.8% of our revenue for the warehousing and distribution services segment for FYE 2021 (FYE 2020: RM1.9 million or 67.9%). Our handling services contributed RM1.3 million or 34.2% of our revenue for the warehousing and distribution services segment for FYE 2021 (FYE 2020: RM0.9 million or 32.1%).

Revenue from the warehousing and distribution services segment increased by RM1.0 million or 35.7%, to RM3.8 million in FYE 2021 (FYE 2020: RM2.8 million). The said increase was mainly attributable to the increase in our warehouse storage revenue arising from extended storage periods due to delays in customers' exports resulting from the global shipping container shortage during the COVID-19 pandemic.

Revenue from warehouse handling charges increased by RM0.4 million or 44.4% to RM1.3 million for FYE 2021 (FYE 2020: RM0.9 million). Following the resumption of business operations due to further relaxation of the movement controls implemented by the Government, there were more pallet movements during FYE 2021 which contributed to the higher revenue from handling charges.

Other logistics-related services

Revenue from other logistics-related services increased by RM0.3 million or 25.0% to RM1.5 million in FYE 2021 (FYE 2020: RM1.2 million), mainly due to the increase in demand for our cargo escort services which resulted in an increase of RM0.15 million to RM0.17 million for FYE 2021 (FYE 2020: RM0.02 million).

Comparison between FYE 2021 and FYE 2022

Our revenue improved further by RM4.4 million or 8.4% to RM56.7 million for FYE 2022 from RM52.3 million in FYE 2021. The increase was mainly contributed by revenue from our warehousing and distribution services segment which increased by RM3.0 million or 78.9% to RM6.8 million for FYE 2022 (FYE 2021: RM3.8 million).

The trucking services segment remained as our largest revenue contributor, contributing RM43.2 million or 76.1% of our total revenue for FYE 2022 (FYE 2021: RM43.5 million or 83.4%).

Trucking services

Our airport-to-airport road feeder services contributed RM28.7 million or 66.4% of our revenue for the trucking services segment for FYE 2022 (FYE 2021: RM32.6 million or 74.9%). Our point-to-point trucking services contributed RM14.5 million or 33.6% of our revenue for the trucking services segment for FYE 2022 (FYE 2021: RM10.9 million or 25.1%).

Revenue from our trucking services segment decreased by RM0.3 million or 0.7% to RM43.2 million for FYE 2022 (FYE 2021: RM43.5 million). The decrease was mainly attributable to the decrease in revenue from our airport-to-airport road feeder services by RM3.9 million or 12.0% to RM28.7 million for FYE 2022 (FYE 2021: RM32.6 million) arising from the lower demand from cargo airlines and logistic companies which was primarily due to the following:

(i) Russian-Ukraine war which led to flights having to re-route to longer routes, which resulted in higher fuel consumption and fuel capacity requirements per aircraft, that reduced its cargo capacity; and

(ii) prolonged closure of the PRC due to COVID-19 which affected the e-commerce business from the PRC to Malaysia and Singapore.

Thus, our truckload for airport-to-airport road feeder services A decreased by 16.3% from 30,320 tonnes for FYE 2021 to 25,365 tonnes for FYE 2022, and the number of trips for airport-to-airport road feeder services B also decreased by 29.6% from 6,004 trips for FYE 2021 to 4,225 trips for FYE 2022, which decreased at a rate higher than the decrease in revenue of 0.7%, mainly because (i) we charged a minimum truckload (tonnes) rate per shipment to our customers whose shipments were below a certain truckload; and (ii) more long haul trips were made.

The above decrease in revenue from our airport-to-airport road feeder services was partially offset by the increase in revenue from our point-to-point trucking services by RM3.6 million or 33.0% to RM14.5 million for FYE 2022 (FYE 2021: RM10.9 million), despite the number of trips decreased from 33,079 trips for FYE 2021 to 29,781 trips for FYE 2022. This was mainly attributable to the following:

(i) more ad hoc and project-based deliveries which are generally charged at a higher rate than our usual point-to-point trucking services were secured, whereby bigger trucks are usually being used; and

(ii) higher demands for bigger trucks which led to less demand for smaller trucks and fewer trips during FYE 2022.

Container haulage services

Revenue from the container haulage services segment increased by RM0.9 million or 25.7% to RM4.4 million for FYE 2022 (FYE 2021: RM3.5 million), mainly driven by the volume of TEU for our container haulage which increased by 4,252 TEU or 74.1% from 5,740 TEU for FYE 2021 to 9,992 TEU for FYE 2022. The said increase was mainly attributable to higher demand for non-refrigerated container haulage services during FYE 2022, which increased by RM0.7 million or 31.8% to RM2.9 million for FYE 2022 (FYE 2021: RM2.2 million), and is generally charged at a lower rate than refrigerated container haulage services. There were also higher demand for 40-ft container trailers of which the rate charged is similar to 20-ft container trailers and hence, despite higher TEU in FYE 2022, revenue did not increase at the same rate. To be more competitive, our Group charges similar rate for both 20-ft and 40-ft container trailers as both container trailers have the same operation costs such as manpower costs for drivers, diesel costs as well as toll and parking charges. In addition, the same type of commercial vehicles such as prime movers and trailers are used to transport the containers.

Warehousing and distribution services

Our warehouse storage services contributed RM4.9 million or 72.1% of our revenue for the warehousing and distribution services segment for FYE 2022 (FYE 2021: RM2.5 million or 65.8%). Our handling services contributed RM1.9 million or 27.9% of our revenue for the warehousing and distribution services segment for FYE 2022 (FYE 2021: RM1.3 million or 34.2%).

Revenue from the warehousing and distribution services segment increased by RM3.0 million or 78.9%, to RM6.8 million in FYE 2022 (FYE 2021: RM3.8 million). The said increase was mainly attributable to increased revenue from warehouse storage which grew by RM2.4 million or 96.0% to RM4.9 million for FYE 2022 (FYE 2021: RM2.5 million) in tandem with the increase in our annual available capacity to 86,303 pallets (FYE 2021: 41,760 pallets) following the resumption of our cold room facility at Shah Alam Warehouse and commencement of operations at our Bukit Mertajam Warehouse, Butterworth Warehouse and Bukit Minyak Warehouse during FYE 2022. The total number of pallets stored at our warehouses increased from 38,287 pallets for FYE 2021 to 65,391 pallets for FYE 2022. The utilisation rate decreased to 75.8% for FYE 2022 (FYE 2021: 91.7%), mainly due to the doubling up of our annual available capacity, despite the increase in the number of pallets stored at our warehouse.

Revenue from warehouse handling charges increased by RM0.6 million or 46.2% to RM1.9 million for FYE 2022 (FYE 2021: RM1.3 million). The said increase was mainly attributable to more pallets handled during FYE 2022 in line with our higher transaction volume, contributing to the higher revenue from handling charges.

Other logistics-related services

Revenue from the other logistics-related services increased by RM0.8 million or 53.3% to RM2.3 million in FYE 2022 (FYE 2021: RM1.5 million). The said increase was mainly attributable to higher demands for our licensed brokerage and forwarding services, which increased by RM0.7 million or 58.3% to RM1.9 million for FYE 2022 (FYE 2021: RM1.2 million), which increased in tandem with the demand for our bonded warehouse storage and handling services.

Comparison between FYE 2022 and FYE 2023

Our revenue decreased by RM4.7 million or 8.3% to RM52.0 million for FYE 2023 from RM56.7 million in FYE 2022. The decrease was mainly attributed to the following:

(i) lower revenue from our trucking services segment, which decreased by RM5.6 million or 13.0% to RM37.6 million for FYE 2023 (FYE 2022: RM43.2 million); and

(ii) our revenue from other logistics-related services segment decreased by RM1.0 million or 43.5% to RM1.3 million for FYE 2023 (FYE 2022: RM2.3 million).

The decreases mentioned above were partially offset by the increase in revenue from the provision of warehousing and distribution services, which rose by RM1.4 million or 20.6% to RM8.2 million for FYE 2023 (FYE 2022: RM6.8 million).

The trucking services segment remained as our largest revenue contributor, contributing RM37.6 million or 72.3% of our total revenue for FYE 2023 (FYE 2022: RM43.2 million or 76.1%).

Trucking services

Our airport-to-airport road feeder services contributed RM27.0 million or 71.8% of our revenue for the trucking services segment for FYE 2023 (FYE 2022: RM28.7 million or 66.4%). Our point-to-point trucking services contributed RM10.6 million or 28.2% of our revenue for the trucking services segment for FYE 2023 (FYE 2022: RM14.5 million or 33.6%).

Revenue from our trucking services segment decreased by RM5.6 million or 13.0% to RM37.6 million for FYE 2023 (FYE 2022: RM43.2 million). The decrease was mainly attributable to the decrease in revenue from our point-to-point trucking services, which decreased by RM3.9 million or 26.9% to RM10.6 million for FYE 2023 (FYE 2022: RM14.5 million). This decrease was mainly attributable to the following:

(i) less ad hoc and project-based deliveries secured during FYE 2023 which are generally charged at a higher rate than our usual point-to-point trucking services; and

(ii) generally less demand from end customers for FYE 2023 as compared to FYE 2022.

Thus, our number of trips decreased by 26.4% from 29,781 trips for FYE 2022 to 21,912 trips for FYE 2023.

Revenue from our airport-to-airport road feeder services decreased by RM1.7 million or 5.9% to RM27.0 million for FYE 2023 (FYE 2022: RM28.7 million) due to lower demand from passenger and cargo airlines which was primarily due to the following:

(i) resumption of passenger flights from other airlines that are not our customers. This led to more competition to our customers, leading to less demand for cargo flights and passenger airlines that we served, which in turn, led to less demand for our trucking services; and

(ii) less exports from Malaysia to USA and Europe Union countries were observed, as both countries have been implementing various restrictive policies, such as monetary interventions, fiscal adjustments and exchange rate management, to mitigate the inflation impacts. Central banks in US and European Union countries have been implementing continuous tightening of monetary supply measures such as increase in interest rates as well as unwinding of pandemic-related fiscal supports in order to mitigate the impact of high inflation. This has impacted financing conditions, domestic demand and economy growth, resulting in less exports from Malaysia to USA and Europe Union countries during the FYE 2023.

The lower demand from passenger and cargo airlines mentioned above was partially offset by the higher demand from general sales agents of airlines arising from overall resumption of passenger flights as well as the new passenger airline customers we secured since the resumption of passenger flights.

Our number of trips for airport-to-airport road feeder services B decreased by 68.9% from 4,225 trips for FYE 2022 to 1,312 trips for FYE 2023. The significant decrease in the number of trips for airport-to-airport road feeders services B was mainly due to lower demand from Customer B, a cargo airline, for short distance trips during FYE 2023, which were generally charged at a lower rate as compared to other airport-to-airport road feeder services.

Container haulage services

Revenue from the container haulage services segment increased by RM0.5 million or 11.4% to RM4.9 million for FYE 2023 (FYE 2022: RM4.4 million), mainly driven by the volume of TEU for our container haulage which increased by 1,360 TEU or 13.6% from 9,992 TEU for FYE 2022 to 11,352 TEU for FYE 2023. The said increase was mainly attributable to higher demand for non-refrigerated container haulage services during FYE 2023, which increased by RM0.5 million or 17.2% to RM3.4 million for FYE 2023 (FYE 2022: RM2.9 million).

Warehousing and distribution services

Our warehouse storage services contributed RM6.5 million or 79.3% of our revenue for the warehousing and distribution services segment for FYE 2023 (FYE 2022: RM4.9 million or 72.1%). Our handling services contributed RM1.7 million or 20.7% of our revenue for the warehousing and distribution services segment for FYE 2023 (FYE 2022: RM1.9 million or 27.9%).

Revenue from the warehousing and distribution services segment increased by RM1.4 million or 20.6% to RM8.2 million for FYE 2023 (FYE 2022: RM6.8 million). The said increase was mainly attributable to increased revenue from warehouse storage which grew by RM1.6 million or 32.7% to RM6.5 million for FYE 2023 (FYE 2022: RM4.9 million) in tandem with the increase in our annual available capacity to 133,140 pallets (FYE 2022: 86,303 pallets) following the commencement of operations at our Bukit Mertajam Warehouse in March 2022, Butterworth Warehouse in March 2022, Bukit Minyak Warehouse in December 2022 and Port Klang Warehouse in November 2023. The total number of pallets utilised increased from 65,391 pallets for FYE 2022 to 100,221 pallets for FYE 2023. The utilisation rate decreased marginally from 75.8% for FYE 2022 to 75.3% for FYE 2023, mainly due to the increase in of our annual available capacity as explained above, despite the increase in the number of pallets stored at our warehouse.

Other logistics-related services

Revenue from the other logistics-related services segment decreased by RM1.0 million or 43.5% to RM1.3 million in FYE 2023 (FYE 2022: RM2.3 million). The said decrease was mainly attributable to less demand for our licensed brokerage and forwarding services, which decreased by RM1.0 million or 52.6% to RM0.9 million for FYE 2023 (FYE 2022: RM1.9 million). This was mainly due to the cessation of our provision of sea freight services during FYE 2023 and less movement for bonded cargo stored at our Shah Alam Warehouse. Our Group provided sea freight services during COVID-19 pandemic to take advantage of the high sea freight charges. For reference, sea freight services contributed RM0.8 million (1.7%), RM0.5 million (0.9%), RM0.6 million (1.1%) and RM0.01 million (<0.1%) to our Group's revenue for FYE 2020 to 2023 respectively.

Revenue by geographical location[(1)]

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	**26,117**	**60.6**	**27,047**	**51.8**	**32,941**	**58.1**	**28,117**	**54.1**
Overseas								
- Singapore	9,367	21.7	15,246	29.2	12,789	22.5	14,173	27.3
- Middle East	3,420	7.9	4,718	9.0	3,685	6.5	3,186	6.1
- Europe	1,106	2.6	2,115	4.0	3,657	6.4	4,160	8.0
- PRC	2,200	5.1	1,940	3.7	1,385	2.4	1,457	2.8
- Asia[(2)]	318	0.7	1,126	2.2	1,333	2.4	332	0.6
- Others[(3)]	543	1.4	64	0.1	953	1.7	559	1.1
Sub-total	**16,954**	**39.4**	**25,209**	**48.2**	**23,802**	**41.9**	**23,867**	**45.9**
Total revenue	**43,071**	**100.0**	**52,256**	**100.0**	**56,743**	**100.0**	**51,984**	**100.0**

Notes:

(1) Revenue by the geographical location is based on the place of domicile of our customers.

(2) Comprises Japan, Korea, Sri Lanka, Taiwan and Vietnam excluding Singapore and PRC.

(3) Comprises Australia, Türkiye and USA.

Comparison between FYE 2020 and FYE 2021

Our Group's revenue was predominantly generated from our customers in Malaysia, recording RM27.1 million or 51.8% of our total revenue for FYE 2021 (FYE 2020: RM26.1 million or 60.6%). Revenue from overseas customers contributed RM25.2 million or 48.2% of our total revenue for FYE 2021 (FYE 2020: RM17.0 million or 39.4%), mainly from Singapore, the Middle East and Europe which collectively contributed RM22.1 million or 42.2% to our total revenue for FYE 2021 (FYE 2020: RM13.9 million or 32.2%).

Our revenue from Malaysia contributed RM27.1 million for FYE 2021 (FYE 2020: RM26.1 million) mainly from the following major customers:

(i) Customer B, a cargo airline, which contributed RM6.2 million to our revenue for FYE 2021 (FYE 2020: RM6.8 million) for our trucking services as well as licensed brokerage and forwarding services; and

(ii) Customer C, an international freight forwarder, increased to RM6.1 million for FYE 2021 (FYE 2020: RM4.8 million), mainly for our trucking, container haulage, warehousing and distribution, licensed brokerage and forwarding as well as express delivery services.

Our revenue from overseas customers contributed RM25.2 million for FYE 2021 (FYE 2020: RM17.0 million) mainly from the revenue for our trucking services from the following overseas customers:

(i) Customer A, a passenger and cargo airline from Singapore, increased to RM11.9 million for FYE 2021 (FYE 2020: RM8.9 million);

(ii) Customer E, a passenger and cargo airline from Middle East, increased to RM4.6 million for FYE 2021 (FYE 2020: RM3.0 million); and

(iii) Customer F, a general sales agent of airline from Singapore, increased to RM3.3 million for FYE 2021 (FYE 2020: RM0.3 million).

Our revenue from Singapore increased by RM5.9 million or 62.8% to RM15.3 million for FYE 2021 (FYE 2020: RM9.4 million), mainly attributable to the increase in revenue for our trucking services. The increase was primarily attributed to higher demands for our airport-to-airport road feeder services from Customer A, a passenger and cargo airline, and Customer F, a general sales agent of airline, mainly due to the higher demand for air freight services arising from growth in demand for e-commerce cargo and the global shipping container shortage during the COVID-19 pandemic and higher demands for transporting pharmaceutical goods such as vaccines, gloves and masks during the COVID-19 pandemic.

Our revenue from PRC decreased by RM0.3 million or 13.6% to RM1.9 million for FYE 2021 (FYE 2020: RM2.2 million), mainly attributable to the decrease in revenue from trucking services, largely attributed to lower demand from an existing customer (not a major customer), an international freight forwarder as this customer no longer used our airport-to-airport road feeder services in FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our Group's revenue continued to be predominantly generated from our customers in Malaysia, recording RM32.9 million or 58.1% of our total revenue for FYE 2022 (FYE 2021: RM27.1 million or 51.8%). Revenue from overseas customers contributed RM23.8 million or 41.9% of our total revenue for FYE 2022 (FYE 2021: RM25.2 million or 48.2%), mainly from Singapore, Middle East and Europe which collectively contributed RM20.1 million or 35.4% to our total revenue for FYE 2021 (FYE 2020: RM22.1 million or 42.2%).

Our revenue from Malaysia contributed RM32.9 million for FYE 2022 (FYE 2021: RM27.1 million) mainly from the following major customers:

(i) Customer B, a cargo airline, contributed RM4.5 million to our revenue for FYE 2022 (FYE 2021: RM6.2 million) for our trucking services as well as licensed brokerage and forwarding services; and

(ii) Customer C, an international freight forwarder, further increased to RM7.2 million for FYE 2022 (FYE 2021: RM6.1 million), mainly for our trucking, container haulage, warehousing and distribution as well as licensed brokerage and forwarding services.

Our revenue from Malaysia increased by RM5.9 million or 21.9% to RM32.9 million for FYE 2022 (FYE 2021: RM27.0 million), mainly attributable to the following:

(i) increase in revenue from warehousing and distribution services, mainly attributed to higher demands from Customer G and Customer C, both being international freight forwarders, together with the increased warehousing capacity of our Group as explained above; and

(ii) increase in revenue from trucking services, mainly attributed to higher demands for our point-to-point trucking services from an existing customer (not a major customer), a local freight forwarder, primarily due to more ad hoc and project-based deliveries which are generally charged at a higher rate than our usual point-to-point trucking services were secured.

Our revenue from overseas customers contributed RM23.8 million for FYE 2022 (FYE 2021: RM25.2 million) mainly from our trucking services from the following overseas customers:

(i) Customer A, a passenger and cargo airline from Singapore, decreased to RM11.1 million for FYE 2022 (FYE 2021: RM11.9 million);

(ii) Customer E, a passenger and cargo airline from the Middle East, decreased to RM3.0 million for FYE 2022 (FYE 2021: RM4.6 million); and

(iii) an existing customer, a cargo airline from Europe, increased to RM1.8 million for FYE 2022 (FYE 2021: RM0.2 million).

Our revenue from PRC decreased by RM0.5 million or 26.3% to RM1.4 million for FYE 2022 (FYE 2021: RM1.9 million), mainly attributable to the decrease in revenue from trucking services. The decrease was primarily attributed to lower demands for our airport-to-airport road feeder services from an existing customer (not a major customer), a passenger and cargo airline, largely due to the reasons for the prolonged closure of the PRC due to COVID-19 which affected the e-commerce business from the PRC to Malaysia and Singapore.

Comparison between FYE 2022 and FYE 2023

Our Group's revenue was predominantly generated from our customers in Malaysia, recording RM28.1 million or 54.1% of our total revenue for FYE 2023 (FYE 2022: RM32.9 million or 58.1%). Revenue from overseas customers contributed RM23.9 million or 45.9% of our total revenue for FYE 2023 (FYE 2022: RM23.8 million or 41.9%), mainly from Singapore, Middle East and Europe, which collectively contributed RM21.5 million or 41.4% to our total revenue for FYE 2023 (FYE 2022: RM20.1 million or 35.4%).

Our revenue from Malaysia contributed RM28.1 million for FYE 2023 (FYE 2022: RM32.9 million), mainly from the following major customers:

(i) Customer C, an international freight forwarder, contributed RM6.6 million to our revenue for FYE 2023 (FYE 2022: RM7.2 million), mainly for our trucking, container haulage, warehousing and distribution as well as licensed brokerage and forwarding services; and

(ii) Customer D, an international freight forwarder, contributed RM3.0 million to our revenue for FYE 2023 (FYE 2022: RM3.7 million), mainly for our trucking services.

Our revenue from Malaysia decreased by RM4.8 million or 14.6% to RM28.1 million for FYE 2023 (FYE 2022: RM32.9 million), mainly attributable to the following:

(i) decrease in revenue from trucking services, mainly attributed to lower demands for our airport-to-airport trucking services from Customer B, a cargo airline, primarily due to resumption of passenger flights from other airlines that are not our customers. This led to more competition to our customers, leading to less demand for cargo flights and passenger airlines that we served, which in turn, led to less demand for our trucking services. In addition, the decrease was also due to lower demand for short distance trips during FYE 2023, which were generally charged at a lower rate as compared to other airport-to-airport road feeder services; and

(ii) decrease in revenue from trucking services, mainly attributed to lower demands for our point-to-point trucking services from an existing customer (not a major customer), a local freight forwarder, primarily due to less ad hoc and project-based deliveries secured during FYE 2023 which are generally charged at a higher rate than our usual point-to-point trucking services.

Our revenue from overseas customers contributed RM23.9 million for FYE 2023 (FYE 2022: RM23.8 million), mainly from our trucking services from the following overseas customers:

(i) Customer A, a passenger and cargo airline from Singapore, contributed RM8.8 million for FYE 2023 (FYE 2022: RM11.1 million);

(ii) Customer F, a general sales agent of an airline from Singapore, contributed RM5.1 million for FYE 2023 (FYE 2022: RM1.6 million); and

(iii) Customer E, a passenger and cargo airline from the Middle East, contributed RM1.8 million for FYE 2023 (FYE 2022: RM3.0 million).

(b) Cost of sales

Cost of sales by cost component

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Manpower costs for drivers	5,748	23.8	5,840	21.0	6,319	22.0	5,816	20.8
Diesel costs	4,569	18.9	5,811	20.9	5,516	19.2	5,108	18.3
Maintenance expenses[(1)]	3,074	12.7	3,784	13.6	3,757	13.1	2,991	10.7
Toll and parking charges	2,076	8.6	2,295	8.3	2,068	7.2	1,924	6.9
Direct labour costs[(2)]	1,639	6.8	1,810	6.5	2,399	8.4	2,946	10.5
Handling charges[(3)]	1,255	5.2	1,773	6.4	1,360	4.7	1,036	3.7
Amortisation of right-of-use assets	1,030	4.3	1,520	5.5	2,061	7.2	3,321	11.9
Insurance and road tax	1,130	4.7	1,332	4.8	1,996	7.0	1,336	4.8
Subcontracted drivers	724	3.0	869	3.1	95	0.3	-	-
Duties and levies[(4)]	785	3.3	652	2.3	773	2.7	441	1.6
Depreciation of property, plant and equipment	433	1.8	369	1.3	367	1.3	473	1.7
Others[(5)]	1,650	6.9	1,721	6.3	1,988	6.9	2,563	9.1
	24,113	**100.0**	**27,776**	**100.0**	**28,699**	**100.0**	**27,955**	**100.0**

Notes:

(1) Maintenance expenses incurred for commercial vehicles, motor vehicles, warehouses and machinery.

(2) Direct labour costs mainly comprise staff-related costs such as salaries and contributions for staff involved in warehouse, freight forwarding and transport departments.

(3) Handling charges comprise handling charges for custom's documentation and clearance.

(4) Duties and levies comprise depot gate charges for container haulage services and goods vehicle levies imposed on vehicles carrying goods from Malaysia to Singapore and vice versa.

(5) Others mainly comprise security escort charges, security guard charges, subscription of GPS, rental of forklifts and trucks, permit and license fees and utilities.

Our manpower costs for drivers, diesel costs, maintenance expenses (including replacement of tyres and spare parts for our commercial vehicles), toll and parking charges, handling charges, insurance and road tax, subcontracted drivers, and duties and levies, are variable costs and fluctuate in correlation to the movement in our revenue.

Comparison between FYE 2020 and FYE 2021

Our cost of sales comprises mainly manpower costs for drivers, diesel costs, maintenance expenses, direct labour costs and tolls and parking charges, collectively contributing RM19.5 million or 70.3% of our total cost of sales for FYE 2021 (FYE 2020: RM17.1 million or 70.8%).

Our cost of sales increased by RM3.7 million or 15.4% to RM27.8 million for FYE 2021 (FYE 2020: RM24.1 million) mainly attributable to the following expenses which increased in tandem with the increase in our revenue and number of trips:

(i) the increase in our diesel costs by RM1.2 million or 26.1% to RM5.8 million for FYE 2021 (FYE 2020: RM4.6 million);

(ii) the increase in our handling charges by RM0.5 million or 38.5% to RM1.8 million for FYE 2021 (FYE 2020: RM1.3 million);

(iii) the increase in our toll and parking charges by RM0.2 million or 9.5% to RM2.3 million for FYE 2021 (FYE 2020: RM2.1 million); and

(iv) the increase in our maintenance expenses by RM0.7 million or 22.6% to RM3.8 million for FYE 2021 (FYE 2020: RM3.1 million).

In addition, our amortisation of right-of-use assets increased by RM0.5 million or 50.0% to RM1.5 million for FYE 2021 (FYE 2020: RM1.0 million), mainly attributable from the purchase 18 units of commercial vehicles via hire purchase arrangements during FYE 2021 (FYE 2020: 7 units). Due to the said additions of commercial vehicles, our insurance and road tax also increased by RM0.2 million or 18.2% to RM1.3 million for FYE 2021 (FYE 2020: RM1.1 million).

Comparison between FYE 2021 and FYE 2022

Our cost of sales mainly comprises manpower costs for drivers, diesel costs, maintenance expenses, direct labour costs and tolls and parking charges, collectively contributing RM20.1 million or 69.9% of our total cost of sales for FYE 2022 (FYE 2021: RM19.5 million or 70.3%).

Our cost of sales further increased by RM0.9 million or 3.2% to RM28.7 million for FYE 2022 (FYE 2021: RM27.8 million) mainly attributable to the following:

(i) the increase in insurance and road tax by RM0.7 million or 53.8% to RM2.0 million for FYE 2022 (FYE 2021: RM1.3 million) mainly due to additional 51 units of commercial vehicles acquired during FYE 2022;

(ii) the increase in direct labour costs by RM0.6 million or 33.3% to RM2.4 million for FYE 2022 (FYE 2021: RM1.8 million) mainly due to annual salary increment and increase in employee headcount to 75 (comprising 35 staff from warehouse department, 14 staff from freight forwarding department and 26 staff from transport department) for FYE 2022 (FYE 2021: 63);

(iii) our amortisation of right-of-use assets increased by RM0.6 million or 40.0% to RM2.1 million for FYE 2022 (FYE 2021: RM1.5 million), mainly resulting from (a) the purchase 43 units of commercial vehicles via hire purchase arrangements during FYE 2022 (FYE 2021: 18 units); (b) rental of Bukit Minyak Warehouse in the last quarter of FYE 2022; and (c) full year impact on the rental of Butterworth Warehouse which commenced in the last quarter of FYE 2021; and

(iv) our manpower costs for drivers increased by RM0.5 million or 8.6% to RM6.3 million for FYE 2022 (FYE 2021: RM5.8 million), mainly due to (a) the increase in the basic salary of drivers which is in line with the implementation of minimum wage; (b) increase in drivers' trips claims and allowances as more trips were made by our drivers following the termination of a subcontractor, Sarjuna Enterprise, in February 2022 for the sourcing of drivers for our trucking services segment; and (c) increase in casual wages as additional headcounts required for the project-based deliveries as well as the relocation from Penang Island warehouse to Bukit Mertajam Warehouse and Butterworth Warehouse.

The above increases were partially offset by lower subcontracted costs for drivers by RM0.8 million or 88.9% to RM0.1 million for FYE 2022 (FYE 2021: RM0.9 million) due to the cessation of business relationship with Sarjuna Enterprise in February 2022 for the sourcing of drivers for our trucking services segment.

The above increases were also partially offset by the following expenses which decreased in tandem with the decreased number of trips:

(i) the decrease in our handling charges by RM0.4 million or 22.2% to RM1.4 million for FYE 2022 (FYE 2021: RM1.8 million);

(ii) the decrease in diesel costs incurred for FYE 2022 which decreased by RM0.3 million or 5.2% to RM5.5 million for FYE 2022 (FYE 2021: RM5.8 million); and

(iii) the decrease in our toll and parking charges by RM0.2 million or 8.7% to RM2.1 million for FYE 2022 (FYE 2021: RM2.3 million).

Comparison between FYE 2022 and FYE 2023

Our cost of sales mainly comprises manpower costs for drivers, diesel costs, maintenance expenses, direct labour costs and tolls and parking charges, collectively contributing RM18.8 million or 67.2% of our total cost of sales for FYE 2023 (FYE 2022: RM20.1 million or 69.9%).

Our cost of sales decreased by RM0.7 million or 2.4% to RM28.0 million for FYE 2023 (FYE 2022: RM28.7 million), mainly attributable to the following expenses which decreased in tandem with the decrease in our revenue and number of trips:

(i) the decrease in our maintenance expenses by RM0.8 million or 21.1% to RM3.0 million for FYE 2023 (FYE 2022: RM3.8 million);

(ii) the decrease in our manpower costs for drivers by RM0.5 million or 7.9% to RM5.8 million for FYE 2023 (FYE 2022: RM6.3 million);

(iii) the decrease in our diesel costs by RM0.4 million or 7.3% to RM5.1 million for FYE 2023 (FYE 2022: RM5.5 million);

(iv) the decrease in our duties and levies by RM0.4 million or 50.0% to RM0.4 million for FYE 2023 (FYE 2022: RM0.8 million);

(v) the decrease in our handling charges by RM0.4 million or 28.6% to RM1.0 million for FYE 2023 (FYE 2022: RM1.4 million); and

(vi) the decrease in our toll and parking charges by RM0.2 million or 9.5% to RM1.9 million for FYE 2023 (FYE 2022: RM2.1 million).

In addition, our insurance and road tax decreased by RM0.7 million or 35.0% to RM1.3 million for FYE 2023 (FYE 2022: RM2.0 million), mainly due to insurance expenses was expensed off over the insurance cover period instead of expensed off when incurred during FYE 2023.

The above decreases were partially offset by the following:

(i) the increase in amortisation of right-of-use assets by RM1.2 million or 57.1% to RM3.3 million for FYE 2023 (FYE 2022: RM2.1 million), mainly resulting from full year impact on (a) the purchase 43 units of commercial vehicles via hire purchase arrangements in FYE 2022; and (b) rental of Bukit Minyak Warehouse in the last quarter of FYE 2022;

(ii) the increase in direct labours costs by RM0.5 million or 20.8% to RM2.9 million for FYE 2023 (FYE 2022: RM2.4 million), mainly due to annual salary increment; and

(iii) the increase in other cost of sales items by RM0.6 million or 30.0% to RM2.6 million for FYE 2023 (FYE 2022: RM2.0 million) was mainly attributable to the increase in utilities of RM0.2 million and security guard charges of RM0.2 million. These increases were mainly resulting from the commencement of operations at Bukit Mertajam Warehouse in March 2022, Butterworth Warehouse in March 2022, Bukit Minyak Warehouse in December 2022 and Port Klang Warehouse in November 2023.

(c) Cost of sales, GP and GP margin by business segment

<u>Cost of sales</u>

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Trucking services	19,542	81.0	23,090	83.1	21,523	75.0	18,977	67.9
Container haulage services	2,379	9.9	2,082	7.5	2,922	10.2	3,112	11.1
Warehousing and distribution services	1,303	5.4	1,804	6.5	3,190	11.1	5,041	18.0
Other logistics-related services[(1)]	889	3.7	800	2.9	1,064	3.7	825	3.0
	24,113	**100.0**	**27,776**	**100.0**	**28,699**	**100.0**	**27,955**	**100.0**

<u>GP and GP margin</u>

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	GP	GP margin	GP	GP margin	GP	GP margin	GP	GP margin
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Trucking services	15,333	44.0	20,456	47.0	21,685	50.2	18,598	49.5
Container haulage services	1,785	42.9	1,388	40.0	1,477	33.6	1,828	37.0
Warehousing and distribution services	1,474	53.1	1,971	52.2	3,638	53.3	3,137	38.4
Other logistics-related services[(1)]	366	29.2	665	45.4	1,244	53.9	466	36.1
	18,958	**44.0**	**24,480**	**46.8**	**28,044**	**49.4**	**24,029**	**46.2**

Note:

(1) Comprises licensed brokerage and forwarding, express delivery as well as cargo escort services.

Comparison between FYE 2020 and FYE 2021

Our cost of sales from the trucking service segment was the main contributor for FYE 2021, contributing RM23.1 million or 83.1% of our total cost of sales for FYE 2021 (FYE 2020: RM19.5 million or 81.0%).

Our cost of sales increased by RM3.7 million or 15.4% to RM27.8 million for FYE 2021 (FYE 2020: RM24.1 million), mainly attributable to growth in our revenue during FYE 2021. Our cost of sales grew at a rate lower than the revenue growth of 21.3% for FYE 2021 which was mainly due to certain expenses, i.e., direct labour costs, depreciation of property, plant and equipment and amortisation of right-of-use assets being fixed in nature. These expenses collectively contributed RM3.7 million or 13.3% of our total cost of sales for FYE 2021 (FYE 2020: RM3.1 million or 12.9%).

The GP from our trucking services segment was the main contributor to our GP for FYE 2021, contributing RM20.5 million or 83.7% of our GP for FYE 2021 (FYE 2020: RM15.3 million or 80.5%).

Our GP increased by RM5.5 million or 28.9% to RM24.5 million for FYE 2021 (FYE 2020: RM19.0 million), which was in tandem with the increase in our revenue for FYE 2021. Our overall GP margin improved from 44.0% for FYE 2020 to 46.8% for FYE 2021, mainly attributable to our revenue growth and improved GP margin from our trucking services segment.

Trucking services

The cost of sales for our trucking services segment increased by RM3.6 million or 18.5% to RM23.1 million for FYE 2021 (FYE 2020: RM19.5 million), which increased in tandem with our revenue growth for FYE 2021.

The GP from our trucking service segment increased by RM5.2 million or 34.0% to RM20.5 million for FYE 2021 (FYE 2020: RM15.3 million), which was in tandem with the increase in our revenue for FYE 2021, mainly attributable to the growth in revenue from our airport-to-airport road feeder services as explained above. Our airport-to-airport road feeder services generally yield a better rate and GP margin as we provide value-added services such as customs brokerage and cargo escort services as compared to our point-to-point trucking services. On the contrary, the revenue contribution from our point-to-point trucking services increased to RM10.9 million or 25.1% of our total revenue for the trucking services segment for FYE 2021 (FYE 2020: RM10.3 million or 29.5%). Overall, the foregoing factors resulted in the improvement of our GP margin for our trucking services segment from 44.0% for FYE 2020 to 47.0% for FYE 2021.

Container haulage services

The cost of sales for our container haulage services decreased by RM0.3 million or 12.5% to RM2.1 million for FYE 2021 (FYE 2020: RM2.4 million), which dropped at a rate lower than the decrease in revenue of 16.7% for FYE 2021, mainly attributable to the direct labour costs which are relatively fixed-in-nature decreased by 1.3% for FYE 2021.

We recorded a lower GP from the container haulage services segment for FYE 2021, which decreased by RM0.4 million or 22.2% to RM1.4 million for FYE 2021 (FYE 2020: RM1.8 million), mainly attributable by the decline in our revenue as explained in Section 12.2.2(a). Thus, our GP margin for the container haulage services segment decreased from 42.9% for FYE 2020 to 40.0% for FYE 2021.

Warehousing and distribution services

The cost of sales for our warehousing and distribution services segment increased by RM0.5 million or 38.5% to RM1.8 million for FYE 2021 (FYE 2020: RM1.3 million), which grew at a rate higher than the revenue growth of 35.7% for FYE 2021, mainly attributable to the increase in amortisation of right-of-use assets resulting from the purchase of plant and machinery (racking system, refrigeration system, forklifts, scrubbers and sweepers) during FYE 2021.

Our GP for the warehousing and distribution services segment increased by RM0.5 million or 33.3% to RM2.0 million for FYE 2021 (FYE 2020: RM1.5 million), mainly attributable to higher revenue as explained in Section 12.2.2(a). Our GP margin of 52.2% for FYE 2021 was relatively stable with a marginal decrease compared to 53.1% for FYE 2020 as costs of sales increased at a higher rate than revenue.

Other logistics-related services

The cost of sales for our other logistics-related services segment decreased by RM0.1 million or 11.1% to RM0.8 million for FYE 2021 (FYE 2020: RM0.9 million), despite the revenue growth of 25.0% mainly for our cargo escort services. The lower cost of sales is mainly attributable to lower handling charges for FYE 2021 which are not required for our cargo escort services. Hence, our GP for other logistics-related services segment increased by RM0.3 million or 75.0% to RM0.7 million for FYE 2021 (FYE 2020: RM0.4 million), and our GP margin improved from 29.2% for FYE 2020 to 45.4% for FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our cost of sales from the trucking services segment has remained the main contributor for FYE 2022, contributing RM21.5 million or 75.0% of our total cost of sales for FYE 2022 (FYE 2021: RM23.1 million or 83.1%).

Our cost of sales further grew by RM0.9 million or 3.2% to RM28.7 million for FYE 2022 (FYE 2021: RM27.8 million), mainly attributable to growth in our revenue during FYE 2022. Our cost of sales grew at a rate lower than the revenue growth of 8.4% for FYE 2022, as certain expenses, i.e., direct labour costs, depreciation of property, plant and equipment and amortisation of right-of-use assets are fixed in nature. These expenses collectively contributed RM4.8 million or 16.9% of our total cost of sales for FYE 2022 (FYE 2021: RM3.7 million or 13.3%).

The GP from our trucking services segment continued as the main contributor to our GP for FYE 2022, contributing RM21.7 million or 77.5% of our GP for FYE 2022 (FYE 2021: RM20.5 million or 83.7%).

Our GP increased by RM3.5 million or 14.3% to RM28.0 million for FYE 2022 (FYE 2021: RM24.5 million), which was in tandem with the increase in our revenue for FYE 2022. Our overall GP margin improved from 46.8% for FYE 2021 to 49.4% for FYE 2022, attributable to improved GP margin from all business segments other than the container haulage services segment.

Trucking services

The cost of sales for our trucking services segment decreased by RM1.6 million or 6.9% to RM21.5 million for FYE 2022 (FYE 2021: RM23.1 million), which dropped at a rate higher than the decrease in revenue of 0.7% for FYE 2022, mainly attributable to the cessation of business with our subcontractor, Sarjuna Enterprise in February 2022 for the sourcing of drivers for our trucking services segment.

The GP from our trucking services segment increased by RM1.2 million or 5.9% to RM21.7 million for FYE 2022 (FYE 2021: RM20.5 million), mainly attributable to cost of sales having decreased at a higher rate than the decrease in revenue and more ad hoc and project based deliveries for point-to-point trucking services which are generally charged at a higher rate were secured in FYE 2022. Hence, our GP margin for the trucking services segment improved from 47.0% for FYE 2021 to 50.2% for FYE 2022.

Container haulage services

The cost of sales for our container haulage services increased by RM0.8 million or 38.1% to RM2.9 million for FYE 2022 (FYE 2021: RM2.1 million), which grew at a rate higher than the increase in revenue of 25.7% for FYE 2022, mainly attributable to the following expenses which collectively grew by RM0.5 million or 35.7% to RM1.9 million for FYE 2022 (FYE 2021: RM1.4 million):

(i) higher diesel costs in line with our revenue growth;

(ii) higher maintenance costs arising from the increase in the price of spare parts, lubricants and tyres; and

(iii) higher manpower costs for drivers as explained in Section 12.2.2(b).

We recorded a marginal increase of RM0.1 million or 7.1% to RM1.5 million for FYE 2022 (FYE 2021: RM1.4 million) in GP from our container haulage services segment for FYE 2022, mainly attributable to higher cost of sales incurred for FYE 2022 by RM0.8 million as opposed to the increase in revenue by RM0.9 million. Accordingly, our GP margin decreased from 40.0% for FYE 2021 to 33.6% for FYE 2022.

Warehousing and distribution services

The cost of sales for our warehousing and distribution services segment increased by RM1.4 million or 77.8% to RM3.2 million for FYE 2022 (FYE 2021: RM1.8 million), which grew at a rate lower than the revenue growth of 78.9% for FYE 2022, mainly attributable to our direct labour costs being fixed-in-nature, which increased at a rate lower than our revenue growth for this segment. The increase in costs of sale was mainly due to our annual available capacity during FYE 2022 following the resumption of our Shah Alam Warehouse's cold room and commencement of operations at Bukit Mertajam Warehouse, Butterworth Warehouse and Bukit Minyak Warehouse have resulted in the increase in amortisation of right-of-use assets (warehouses), direct labour costs, utilities, maintenance expenses and security charges, which collectively increased by RM1.4 million to RM3.0 million for FYE 2022 (FYE 2021: RM1.6 million).

Our GP for the warehousing and distribution services segment increased by RM1.6 million or 80.0% to RM3.6 million for FYE 2022 (FYE 2021: RM2.0 million) in tandem with the increase in our revenue for this segment. Our GP margin of 53.3% for FYE 2022 was a marginal increase compared to 52.2% for FYE 2021 as cost of sales increased at a marginal lower rate than revenue growth.

Other logistics-related services

The cost of sales for our other logistics-related services segment increased by RM0.3 million or 37.5% to RM1.1 million for FYE 2022 (FYE 2021: RM0.8 million), which increased at a rate lower than the increase in revenue of 53.3% for FYE 2022. Such increase in our cost of sales was mainly attributable to the increase in direct labour costs for this segment.

Our GP for other logistics-related services segment increased by RM0.5 million or 71.4% to RM1.2 million for FYE 2022 (FYE 2021: RM0.7 million), mainly contributed by our revenue growth for the licensed brokerage and forwarding services in FYE 2022. As a result, our GP margin improved from 45.4% for FYE 2021 to 53.9% for FYE 2022, mainly due to cost of sales increasing at a lower rate than the increase in revenue.

Comparison between FYE 2022 and FYE 2023

Our cost of sales from the trucking services segment has remained the main contributor for FYE 2023, contributing RM19.0 million or 67.9% of our total cost of sales for FYE 2023 (FYE 2022: RM21.5 million or 75.0%).

Our cost of sales decreased by RM0.7 million or 2.4% to RM28.0 million for FYE 2023 (FYE 2022: RM28.7 million), in line with the lower revenue recorded for FYE 2023. Our cost of sales decreased at a rate lower than the decrease in revenue of 8.3% for FYE 2023, as certain expenses, i.e., direct labour costs, depreciation of property, plant and equipment and amortisation of right-of-use assets are fixed in nature. These expenses collectively contributed RM6.7 million or 24.1% of our total cost of sales for FYE 2023 (FYE 2022: RM4.8 million or 16.9%).

The GP from our trucking services segment continued as the main contributor to our GP for FYE 2023, contributing RM18.6 million or 77.4% of our GP for FYE 2023 (FYE 2022: RM21.7 million or 77.5%).

Our GP decreased by RM4.0 million or 14.3% to RM24.0 million for FYE 2023 (FYE 2022: RM28.0 million), which was in tandem with the decrease in our revenue for FYE 2023. Our overall GP margin decreased from 49.4% for FYE 2022 to 46.2% for FYE 2023, attributable to decrease in GP margin from all business segments other than the container haulage services segment.

Trucking services

The cost of sales for our trucking services segment decreased by RM2.5 million or 11.6% to RM19.0 million for FYE 2023 (FYE 2022: RM21.5 million), which dropped at a rate lower than the decrease in revenue of 13.0% for FYE 2023, mainly attributable to our direct labour costs, depreciation of property, plant and equipment and amortisation of right-of-use assets, which are relatively fixed in nature, collectively increased by 28.9%.

The GP from our trucking services segment decreased by RM3.1 million or 14.3% to RM18.6 million for FYE 2023 (FYE 2022: RM21.7 million), mainly attributable to lower revenue recorded for FYE 2023 which decreased at a rate higher than the decrease in cost of sales as explained above. Hence, our GP margin for the trucking services segment decreased from 50.2% for FYE 2022 to 49.5% for FYE 2023.

Container haulage services

The cost of sales for our container haulage services increased by RM0.2 million or 6.9% to RM3.1 million for FYE 2023 (FYE 2022: RM2.9 million), which grew at a rate lower than the increase in revenue of 11.4% for FYE 2023, mainly because our direct labour costs which are relatively fixed-in-nature increased by 10.1% for FYE 2023.

We recorded an increase in our GP of RM0.3 million or 20.0% to RM1.8 million for FYE 2023 (FYE 2022: RM1.5 million) from the container haulage services segment for FYE 2023, mainly attributable to higher revenue recorded for FYE 2023 which increased at a rate higher than the increase in cost of sales as explained above. Hence, our GP margin for the container haulage services segment increased from 33.6% for FYE 2022 to 37.0% for FYE 2023.

Warehousing and distribution services

The cost of sales for our warehousing and distribution services segment increased by RM1.8 million or 56.3% to RM5.0 million for FYE 2023 (FYE 2022: RM3.2 million), which grew at a rate higher than the revenue growth of 20.6% for FYE 2023. This was mainly attributable to the increase in our annual available capacity during FYE 2023 following the commencement of operations at our Bukit Mertajam Warehouse in March 2022, Butterworth Warehouse in March 2022, Bukit Minyak Warehouse in December 2022 and Port Klang Warehouse in November 2023 which had resulted in the increase in amortisation of right-of-use assets for warehouses, direct labour costs, utilities, maintenance expenses and security guard charges, which collectively increased by RM1.7 million to RM4.7 million for FYE 2023 (FYE 2022: RM3.0 million).

Premised on the above, our GP for the warehousing and distribution services segment decreased by RM0.5 million or 13.9% to RM3.1 million for FYE 2023 (FYE 2022: RM3.6 million). Correspondingly, our GP margin for the warehousing and distribution services segment decreased from 53.3% for FYE 2022 to 38.4% for FYE 2023.

Other logistics-related services

The cost of sales for our other logistics-related services segment decreased by RM0.3 million or 27.3% to RM0.8 million for FYE 2023 (FYE 2022: RM1.1 million), which decreased at a rate lower than the decrease in revenue of 43.5% for FYE 2023, mainly attributable to our direct labour costs being fixed in nature, which decreased by 11.1%.

Hence, our GP for other logistics-related services segment decreased by RM0.7 million or 58.3% to RM0.5 million for FYE 2023 (FYE 2022: RM1.2 million) and our GP margin for this segment decreased from 53.9% for FYE 2022 to 36.1% for FYE 2023.

(d) Other income

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Gain on disposal of property, plant and equipment	-	-	2,505	67.4	3	2.7	-	-
Gain on disposal of subsidiary company	-	-	926	24.9	-	-	-	-
Gain on modification of lease term	-	-	-	-	9	8.0	1	0.4
Unrealised gain on foreign exchange	21	14.7	101	2.7	-	-	49	19.8
Gain on disposal of right-of-use assets	-	-	88	2.4	-	-	-	-
Income from selling fresh fruit bunches(1)	15	10.5	61	1.6	56	50.0	37	15.0
Insurance compensation	77	53.8	25	0.7	17	15.2	132	53.4
Gain on struck off of investment in a subsidiary company(2)	22	15.4	-	-	-	-	-	-
Realised gain on foreign exchange	-	-	6	0.2	*	*	-	-
Sales of scrap(3)	-	-	-	-	20	17.9	15	6.1
Others(4)	8	5.6	2	0.1	7	6.2	13	5.3
	143	**100.0**	**3,714**	**100.0**	**112**	**100.0**	**247**	**100.0**

Notes:

* Less than RM1,000 and 0.1%

[(1)] Comprises income from selling fresh fruit bunches from 2 freehold vacant lands, both located in the District of Sepang, Selangor (as detailed in Sections 6.8.1(e) and 6.8.1(f)) which are currently oil palm estates.

[(2)] Comprises gain on struck off of investment in Sin-Kung Air Cargo Sdn Bhd during FYE 2020.

[(3)] Comprises sales of used lubricants and scrap.

[(4)] Comprises primarily third-party compensations for truck repair and maintenance costs caused by accidents, provision of repair and maintenance for third party trucks during the movement restrictions implemented by the Government, receipt from a customer for warehouse's lighting installation upon customer's request, interest income from bank and income from a third party in relation to 2 vending machines placed at our Shah Alam Office and Warehouse.

Comparison between FYE 2020 and FYE 2021

Our other income increased by RM3.6 million from RM0.1 million in FYE 2020 to RM3.7 million in FYE 2021 mainly attributable to the following:

(i) gain on disposal of property, plant and equipment of RM2.5 million for FYE 2021 (FYE 2020: Nil), mainly due to the disposal of 2 freehold lands located at District of Klang, Selangor of RM2.4 million to Lille Property Sdn Bhd, a related party, for a total consideration of RM8.2 million;

(ii) gain on disposal of a subsidiary company, Forecom Sdn Bhd, of RM0.9 million to a non-related party; and

(iii) net gain on disposal of right-of-use assets of RM0.1 million for FYE 2021 (FYE 2020: Nil), mainly due to the disposal of a leasehold land located at District Kuala Langat, Selangor to Lille Property Sdn Bhd, a related party, for a total consideration of RM0.5 million.

Comparison between FYE 2021 and FYE 2022

Our other income decreased by RM3.6 million from RM3.7 million in FYE 2021 to RM0.1 million in FYE 2022 as there was no material gain on disposal of property, plant and equipment as well as subsidiary company which are non-recurrent in nature in FYE 2022 (FYE 2021: RM2.5 million and RM0.9 million respectively).

Comparison between FYE 2022 and FYE 2023

Our other income increased by RM0.1 million or 100.0% to RM0.2 million for FYE 2023 (FYE 2022: RM0.1 million) mainly in relation to insurance compensation of RM0.1 million for commercial vehicles involved in an accident.

12. FINANCIAL INFORMATION *(Cont'd)*

(e) Administrative expenses

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Depreciation of property, plant and equipment	470	7.0	527	6.3	519	5.1	552	5.0
Amortisation of right-of-use assets	437	6.5	555	6.6	442	4.3	406	3.7
Directors' remuneration	506	7.5	566	6.7	1,351	13.2	2,252	20.5
Property, plant and equipment written-off	-	-	178	2.1	*	*	-	-
Insurance and road tax	138	2.1	143	1.7	200	1.9	105	1.0
Legal and professional fees	244	3.6	762	9.1	1,408	13.7	726	6.6
Office supplies	173	2.6	240	2.9	226	2.2	209	1.9
Rental expenses	22	0.3	110	1.3	127	1.2	129	1.2
Employee-related costs(1)	3,633	54.0	4,264	50.6	4,626	45.0	4,900	44.7
Travelling expenses	73	1.1	78	0.9	77	0.7	121	1.1
Upkeep and maintenance	427	6.4	405	4.8	531	5.2	641	5.9
Utilities	279	4.1	271	3.2	263	2.6	254	2.3
Others(2)	321	4.8	324	3.8	506	4.9	671	6.1
	6,723	**100.0**	**8,423**	**100.0**	**10,276**	**100.0**	**10,966**	**100.0**

Notes:

* Less than RM1,000 and 0.1%

(1) Comprises mainly salaries, statutory contributions, red packets, bonuses, staff refreshments and trainings.

(2) Comprises mainly assessment and quit rent, bank charges, business licensing fee, realised and unrealised loss on foreign exchange, donation and gifts, subscription fees, right-of-use assets written off and stamp duty mainly in relation to the purchase of motor and commercial vehicles as well as plant and machinery via hire purchase arrangements.

Comparison between FYE 2020 and FYE 2021

Our administrative expenses increased by RM1.7 million or 25.4%, from RM6.7 million in FYE 2020 to RM8.4 million in FYE 2021, mainly attributable to the following:

(i) the increase in legal and professional fees by RM0.6 million to RM0.8 million for FYE 2021 (FYE 2020: RM0.2 million), mainly due to professional fees incurred for our Listing and legal fees incurred for a new term loan facility for our Group's working capital purposes;

(ii) the increase in employee-related costs by RM0.7 million to RM4.3 million for FYE 2021 (FYE 2020: RM3.6 million), mainly due to annual salary increment and additional bonuses paid to our employees for Chinese New Year;

(iii) there were write-off of property, plant and equipment of RM0.2 million for FYE 2021 (FYE 2020: Nil) in relation to damaged commercial vehicles due to accidents; and

(iv) the increase in amortisation of right-of-use assets by RM0.2 million to RM0.6 million for FYE 2021 (FYE 2020: RM0.4 million) mainly due to (a) additions of 5 units of motor vehicles and 2 sets of new servers via hire purchase arrangements; and (b) rental of Penang International Airport Office and Butterworth Warehouse in the last quarter of FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our administrative expenses increased by RM1.9 million or 22.6%, from RM8.4 million in FYE 2021 to RM10.3 million in FYE 2022, mainly attributable to the following:

(i) the increase in legal and professional fees of RM0.6 million to RM1.4 million for FYE 2022 (FYE 2021: RM0.8 million) mainly due to fees in relation to outsourced services sought for verification of drivers' claims which include, among others, claims for trips, overtime, diesel, toll and parking as well consultation fees incurred for the survey of the e-commerce cargo market in the PRC and professional fee on tax audit;

(ii) the increase in employee-related costs of RM0.3 million to RM4.6 million for FYE 2022 (FYE 2021: RM4.3 million) mainly due to the annual salary increment and increase in staff bonuses; and

(iii) the increase in directors' remuneration of RM0.8 million to RM1.4 million for FYE 2022 (FYE 2021: RM0.6 million) mainly due to annual salary increment and bonuses as well as appointment of new directors during FYE 2022.

Comparison between FYE 2022 and FYE 2023

Our administrative expenses increased by RM0.7 million or 6.8% to RM11.0 million for FYE 2023 (FYE 2022: RM10.3 million), mainly attributable to the following:

(i) the increase in directors' remuneration of RM0.9 million to RM2.3 million for FYE 2023 (FYE 2022: RM1.4 million) mainly due to annual salary increments, increase in directors' fees as well as the appointment of new directors in the second half of FYE 2022;

(ii) the increase in employee-related costs of RM0.3 million to RM4.9 million for FYE 2023 (FYE 2022: RM4.6 million) mainly due to annual salary increments; and

(iii) the increase in other administrative expenses of RM0.2 million to RM0.7 million for FYE 2023 (FYE 2022: RM0.5 million) mainly due to there was right-of-use assets written off of RM0.1 million in relation to a commercial vehicle that was total loss from an accident.

The above increases were partially offset by the decrease in legal and professional fees of RM0.7 million to RM0.7 million for FYE 2023 (FYE 2022: RM1.4 million) mainly due to professional fees incurred for our Listing being recognised as prepayment instead of being expensed off in FYE 2023 as well as consultation fees incurred for the survey of the e-commerce cargo market in the PRC and professional fee for tax audit in FYE 2022.

(f) Finance costs

	Audited							
	FYE 2020		**FYE 2021**		**FYE 2022**		**FYE 2023**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Term loans	1,582	75.2	1,791	79.0	1,902	71.6	2,568	70.8
Lease liabilities	522	24.8	472	20.8	754	28.4	1,056	29.1
Interest on overdue payment	*	*	4	0.2	1	*	4	0.1
	2,104	**100.0**	**2,267**	**100.0**	**2,657**	**100.0**	**3,628**	**100.0**

Note:

* Less than RM1,000 and 0.1%.

Comparison between FYE 2020 and FYE 2021

Our finance costs increased by RM0.2 million or 9.5%, from RM2.1 million in FYE 2020 to RM2.3 million in FYE 2021, mainly attributable to the increase of term loan interests by RM0.2 million to RM1.8 million for FYE 2021 (FYE 2020: RM1.6 million) arising from the drawdown of new term loan amounting to RM3.0 million for our Group's working capital purposes.

Comparison between FYE 2021 and FYE 2022

Our finance costs increased by RM0.4 million or 17.4% to RM2.7 million for FYE 2022 (FYE 2021: RM2.3 million), mainly attributable to the following:

(i) increase in lease liabilities interests by RM0.3 million to RM0.8 million for FYE 2022 (FYE 2021: RM0.5 million), mainly due to the (a) purchase of 43 units of commercial vehicles, a motor vehicle, and 12 units of plant and machinery (forklift, reach trucks, powered pallet trucks and racking system) via hire purchase arrangements; (b) newly acquired Bukit Minyak Office and Warehouse; and (c) an apartment in Shah Alam as accommodation for foreign workers; and

(ii) increase in term loan interest by RM0.1 million to RM1.9 million for FYE 2022 (FYE 2021: RM1.8 million), mainly due to the drawdown of a new term loan amounting to RM3.0 million for our Group's working capital purposes.

Comparison between FYE 2022 and FYE 2023

Our finance costs increased by RM0.9 million or 33.3% to RM3.6 million for FYE 2023 (FYE 2022: RM2.7 million), mainly attributable to the following:

(i) increase in term loan interest by RM0.7 million to RM2.6 million for FYE 2023 (FYE 2022: RM1.9 million), mainly due to drawdown of a term loan of RM14.8 million for the acquisition of Port Klang Office and Warehouse, partial drawdown of a term loan of RM6.8 million for the acquisition of Valdor Office and Warehouse and drawdown of new term loans of RM3.9 million for our Group's working capital purposes and to finance the Credit Level Term Assurance ("**CLTA**"); and

(ii) increase in lease liabilities interests by RM0.3 million to RM1.1 million for FYE 2023 (FYE 2022: RM0.8 million), primarily due to full year impact on the (a) purchase of 43 units of commercial vehicles, a motor vehicle, and 12 units of plant and machinery (forklift, reach trucks, powered pallet trucks and racking system) via hire purchase arrangements in FYE 2022; and (b) rental of Bukit Minyak Office and Warehouse since December 2022.

(g) PBT and PBT margin

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
PBT (RM'000)	10,274	17,504	15,223	9,681
PBT margin (%)	23.9	33.5	26.8	18.6

Comparison between FYE 2020 and FYE 2021

We recorded an increase in PBT of RM7.2 million or 69.9% for FYE 2021. Our PBT margin improved from 23.9% for FYE 2020 to 33.5% for FYE 2021. The improvement was due to higher GP and GP margin as well as other income for FYE 2021, as explained in Sections 12.2.2(c) and 12.2.2(d) above.

Comparison between FYE 2021 and FYE 2022

Despite the increase in GP and GP margin as explained in Section 12.2.2(c) above, we recorded a decrease in PBT of RM2.3 million or 13.0% for FYE 2022 mainly due to decrease in other income and increased administrative expenses as explained in Sections 12.2.2(d) and 12.2.2(e) above. Thus, our PBT margin decreased from 33.5% for FYE 2021 to 26.8% for FYE 2022.

Comparison between FYE 2022 and FYE 2023

We recorded a decrease in PBT of RM5.5 million or 36.4% for FYE 2023. Our PBT margin decreased from 26.8% for FYE 2022 to 18.6% for FYE 2023. Such decrease was mainly due to lower GP and GP margin as explained in Section 12.2.2(c) above as well as higher administrative expenses and higher finance costs, as explained in Sections 12.2.2(e) and 12.2.2(f) above.

(h) Tax expenses

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
Tax expenses (RM'000)	886	3,000	2,880	3,274
Statutory tax rate (%)	24.0	24.0	24.0	24.0
Effective tax rate (%)	8.6	17.1	18.9	33.8

Tax expenses comprise the respective financial year's income tax payable, deferred tax and RPGT as well as any under or overprovision of income tax, deferred tax and RPGT in the previous financial year.

Our Company was granted tax incentive under the ITA for integrated logistics services as approved by the MIDA on 8 January 2016 for a period of 5 years and was further extended for another 5 years on 14 April 2021. The tax incentive allows us to claim ITA of 60.0% on qualifying capital expenditure incurred for integrated logistics services (for warehousing and distribution services, trucking services, office equipment and information and communication technologies products) for a period of 5 years, which shall be allowable for deduction against up to 70.0% of our Company's statutory income for each year of assessment. Our tax expenses are expected to increase to the statutory tax rate upon the expiration of tax incentive period granted under the ITA.

Comparison between FYE 2020 and FYE 2021

Our tax expenses increased by RM2.1 million or 233.3% from RM0.9 million in FYE 2020 to RM3.0 million in FYE 2021, mainly attributable to the lower utilisation of ITA during FYE 2021.

Our effective tax rate of 8.6% for FYE 2020 was significantly lower than the statutory tax rate, mainly attributable to the net effects of the following:

(i) utilisation of ITA of RM7.3 million;

(ii) overprovision of deferred tax in the prior year of RM0.2 million in relation to accelerated capital allowances;

(iii) underprovision of the prior year's income tax of RM0.2 million; and

(iv) non-deductible expenses of RM0.7 million, primarily attributable to the depreciation of non-qualifying property, plant and equipment of RM0.2 million, comprises mainly motor and commercial vehicles, furniture and fittings, office equipment and renovation, and term loan interests restriction for the tax deduction of RM0.2 million.

Our effective tax rate of 17.1% for FYE 2021 was lower than the statutory tax rate, mainly due to the net effects of the following:

(i) utilisation of ITA of RM4.9 million;

(ii) non-deductible expenses of RM1.2 million primarily attributable to the depreciation of non-qualifying property, plant and equipment of RM0.4 million comprises mainly motor and commercial vehicles, furniture and fittings, office equipment and renovation, plant and machinery, and legal and professional fees of RM0.6 million; and

(iii) there was RPGT of RM0.3 million (FYE 2020: Nil) arising from the gain on disposals of 2 freehold lands located at District of Klang, Selangor and a leasehold land located at District Kuala Langat, Selangor during FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our tax expenses decreased by RM0.1 million or 3.3% from RM3.0 million in FYE 2021 to RM2.9 million in FYE 2022 mainly attributable to the utilisation of higher ITA during FYE 2022.

Our effective tax rate of 18.9% for FYE 2021 was lower than the statutory tax rate, mainly due to the net effects of the following:

(i) utilisation of ITA of RM6.1 million;

(ii) overprovision of deferred tax in the prior year of RM0.2 million, which is in relation to accelerated capital allowances;

(iii) non-deductible expenses of RM2.2 million, primarily attributable to the depreciation of property, plant and equipment for non-qualifying assets of RM0.4 million, comprises mainly motor and commercial vehicles, furniture and fittings, office equipment and renovation, plant and machinery, legal and professional fees of RM0.7 million, term loan interests restriction for the tax deduction of RM0.4 million, and the restriction on tax-deductible interest expense of RM0.5 million due to insufficient rental income for the deduction of interest expense incurred for investment properties; and

(iv) underprovision of prior year's income tax of RM0.3 million.

Comparison between FYE 2022 and FYE 2023

Our tax expenses increased by RM0.4 million or 13.8% from RM2.9 million in FYE 2022 to RM3.3 million in FYE 2023, mainly attributable to the underprovision of income tax for FYE 2022 of RM1.6 million, which was partially offset by lower income tax as a result of lower PBT for FYE 2023. The underprovision of income tax for FYE 2022 of RM1.6 million arose as we excluded the tax incentive under the ITA for integrated logistics services in our income tax return for FYE 2022 in view that we have yet to receive approval to claim the tax incentive under the ITA from the relevant authorities.

Our effective tax rate of 33.8% for FYE 2023 was higher than the statutory tax rate, mainly attributable to the net effects of the following:

(i) underprovision of income tax of RM1.6 million for FYE 2022 as mentioned above;

(ii) non-deductible expenses of RM2.2 million, primarily attributable to the amortisation of right-of-use assets of RM0.5 million, comprises mainly buildings, depreciation of property, plant and equipment for non-qualifying assets of RM0.4 million, comprising mainly motor and commercial vehicles, furniture and fittings, office equipment and renovation, plant and machinery, term loan interests restriction for the tax deduction of RM0.4 million, and the restriction on tax-deductible interest expense of RM0.5 million due to insufficient rental income for the deduction of such interest expenses incurred for investment properties; and

(iii) utilisation of ITA of RM4.9 million.

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12.2.3 Review of financial position

(a) Assets

	Audited			
	31 December			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current assets				
Property, plant and equipment	46,397	42,559	46,344	59,751
Investment properties	14,467	14,467	12,625	12,625
Right-of-use assets	9,625	13,513	21,757	40,348
Other investment	5	5	5	5
Total non-current assets	70,494	70,544	80,731	112,729
Current assets				
Inventories	-	3,078	3,105	2,918
Trade receivables	6,939	8,399	7,022	7,986
Other receivables	1,816	1,569	3,667	3,925
Amount due from:				
• former holding company	44	-	-	-
• former related companies	667	-	-	-
Tax recoverable	6	4	274	612
Cash and bank balances	5,684	9,461	15,809	10,149
Total current assets	15,156	22,511	29,877	25,590
Total assets	**85,650**	**93,055**	**110,608**	**138,319**

Comparison between 31 December 2020 and 31 December 2021

Our total assets increased by RM7.4 million or 8.6%, from RM85.7 million as at 31 December 2020 to RM93.1 million as at 31 December 2021, mainly attributable to the increase in current assets by RM7.3 million as at 31 December 2021. The increase in current assets was primarily due to the following:

(i) increase in cash and bank balances of RM3.8 million to RM9.5 million as at 31 December 2021 mainly due to the drawdown of a term loan of RM3.0 million for our Group's working capital purposes and cash generated from our business operations;

(ii) there being inventories of RM3.1 million as at 31 December 2021 (31 December 2020: RM Nil) as our Group started to maintain inventories for commercial vehicle's spare parts in anticipation of a shortage resulting from the interruption in the global supply chain during the COVID-19 pandemic; and

(iii) increase in trade receivables of RM1.5 million to RM8.4 million as at 31 December 2021 mainly due to higher revenue generated in the last quarter of FYE 2021.

The above increases were partially offset by the following:

(i) decrease in the amount due from former related companies, Dyna Auto Manufacturing Sdn Bhd, Ekspress Masyhur Semenanjung Sdn Bhd and Sepang Airport Sdn Bhd by RM0.7 million as the sum which was fully collected during the year; and

(ii) decrease in other receivables of RM0.2 million to RM1.6 million as at 31 December 2021 mainly due to full repayment from related parties, Berjasa Logistics Sdn Bhd, Carta Creatif Sdn Bhd, Dyna Auto Industrial Machinery Sdn Bhd, Fundamental Merge Sdn Bhd, Platinum Star Coach Sdn Bhd, Sasita Transport Sdn Bhd, Sin-Kung Cheras Transportation Sdn Bhd, Sin-Kung Logistics (Penang) Sdn Bhd and Amalan Bahagia Sdn Bhd totalling RM0.2 million.

Comparison between 31 December 2021 and 31 December 2022

Our total assets increased by RM17.5 million or 18.8%, from RM93.1 million as at 31 December 2021 to RM110.6 million as at 31 December 2022, mainly attributable to the increase in non-current and current assets by RM10.2 million and RM7.4 million respectively as at 31 December 2022.

The increase in non-current assets was mainly attributable to the following:

(i) increase in right-of-use assets by RM8.2 million to RM21.8 million as at 31 December 2022 mainly due to the net effects of (a) the additional motor and commercial vehicles as well as plant and machinery (forklift, reach trucks, powered pallet trucks and racking system) acquired via hire purchase arrangements totalling RM9.3 million; (b) the newly acquired Bukit Minyak Office and Warehouse and apartment in Shah Alam as accommodation for foreign workers totalling RM1.9 million; (c) the termination of 3 units of rented Penang Island warehouse in March 2022 of RM0.1 million; (d) disposal of motor and commercial vehicles of RM0.4 million and (e) amortisation expenses of RM2.5 million; and

(ii) increase in property, plant and equipment by RM3.7 million to RM46.3 million as at 31 December 2022 mainly due to the net effects of (a) the additional renovation cost of RM1.0 million for Bukit Mertajam Office and Warehouse and other fixed assets (mainly plant and machinery such as sprinkler system, air conditioning, cold room panels, refrigeration system and plastic pallets, office equipment such as closed-circuit television and air conditioning, and commercial vehicles such as box trucks and box trailers) totalling RM1.8 million; (b) reclassification of freehold land located at Bukit Mertajam, Penang of RM9.3 million from investment properties to property, plant and equipment due to the change in the intended use of the land as parking lot for our commercial vehicles during FYE 2022; (c) reclassification of freehold land located in the District of Sepang, Selangor of RM7.5 million from property, plant and equipment to investment properties during FYE 2022; and (d) depreciation expenses of RM0.9 million.

The above increases were partially offset by the decrease in investment properties of RM1.8 million to RM12.6 million as at 31 December 2022, mainly attributable to the net effects of reclassification of 2 freehold lands to/(from) investment properties to property, plant and equipment as mentioned above.

The increase in current assets was mainly attributable to the following:

(i) increase in cash and bank balances of RM6.3 million to RM15.8 million as at 31 December 2022 mainly due to drawdown of a term loan of RM3.0 million for our Group's working capital purposes and cash generated from our business operations;

(ii) increase in other receivables of RM2.1 million to RM3.7 million as at 31 December 2022 mainly due to the net effects of the following:

- deposit of RM1.2 million paid for the acquisition of Port Klang Office and Warehouse, for our expansion of warehousing and distribution services;

- booking fee of RM0.3 million paid for the acquisition of Valdor Office and Warehouse for our expansion of warehousing and distribution services;

- additional rental deposit of RM0.2 million, mainly due to rental of Bukit Minyak Office and Warehouse and an apartment in Shah Alam as accommodation for our foreign workers; and

- increase in prepayment for new hire purchase arrangements of RM0.2 million.

The above increases were partially offset by the decrease in trade receivables of RM1.4 million to RM7.0 million as at 31 December 2022, mainly due to lower revenue from airport-to-airport road feeder services in the last quarter of FYE 2022.

Comparison between 31 December 2022 and 31 December 2023

Our total assets increased by RM27.7 million or 25.0% from RM110.6 million as at 31 December 2022 to RM138.3 million as at 31 December 2023, mainly attributable to the increase in non-current assets by RM32.0 million and partially offset by the decrease in current assets by RM4.3 million as at 31 December 2023.

The increase in non-current assets was mainly attributable to the following:

(i) increase in right-of-use assets by RM18.6 million to RM40.3 million as at 31 December 2023, primarily due to the net effects of (a) the additional motor and commercial vehicles as well as plant and machinery (forklifts and racking system) acquired via hire purchase arrangements totalling RM5.5 million; (b) the newly acquired Port Klang Office and Warehouse of RM18.5 million; (c) renewal of rental of Penang International Airport Office and Butterworth Warehouse of RM0.4 million upon lease expiration; (d) disposal of motor vehicles of RM0.3 million; (e) transfer of motor and commercial vehicles of totalling RM1.8 million from right-of-use assets to property, plant and equipment upon settlement of hire purchase arrangements; and (f) amortisation expenses of RM3.7 million; and

(ii) increase in property, plant and equipment by RM13.4 million to RM59.8 million as at 31 December 2023, primarily due to the net effects of (a) capital work-in-progress in relation to our Valdor Office and Warehouse of RM10.8 million which is under construction; (b) the capitalisation of license fee incurred in relation to TBP issued by MBSA for our Shah Alam Office and Warehouse as well as Shah Alam Workshop of RM0.6 million; (c) the additional renovation cost of RM0.6 million for our Bukit Mertajam Office and Warehouse and Shah Alam Office and Warehouse; (d) other fixed assets totalling RM0.6 million (mainly furniture and fittings for our Port Klang Office and Warehouse, office equipment, and commercial vehicles equipment); (e) transfer of motor and commercial vehicles of totalling RM1.8 million from right-of-use assets to property, plant and equipment upon settlement of hire purchase arrangements; and (f) depreciation of RM1.0 million.

Such increases were partially offset by the decrease in current assets was mainly attributable to the net effects of the following:

(i) decrease in cash and bank balances of RM5.7 million to RM10.1 million as at 31 December 2023, mainly due to partial payments of purchase consideration of RM3.7 million for the acquisition of our Valdor Office and Warehouse and payment of balance purchase consideration of RM1.9 million for the acquisition of our Port Klang Office and Warehouse;

(ii) increase in trade receivables of RM1.0 million to RM8.0 million as at 31 December 2023, mainly due to receivables primarily from new customers for our warehousing and distribution services as well as point-to-point trucking services; and

(iii) increase in tax recoverable of RM0.3 million to RM0.6 million as at 31 December 2023, mainly due to higher tax instalments paid for FYE 2023 as a result of overestimation of tax for year of assessment 2023 following higher profit in FYE 2022.

(b) Liabilities

	Audited			
	31 December			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current liabilities				
Lease liabilities	5,471	7,198	12,572	12,062
Loans and borrowings	31,681	31,078	29,802	49,727
Deferred tax liabilities	1,316	2,260	2,797	3,828
Total non-current liabilities	38,468	40,536	45,171	65,617
Current liabilities				
Trade payables	904	1,139	538	186
Other payables	8,954	1,442	1,589	1,379
Dividends payables	4,000	-	-	-
Amount due to former related companies	656	51	-	-
Tax payable	140	220	4	28
Lease liabilities	2,337	4,195	5,495	5,720
Loans and borrowings	2,477	3,142	3,944	5,121
Total current liabilities	19,468	10,189	11,570	12,434
Total liabilities	**57,936**	**50,725**	**56,741**	**78,051**

Comparison between 31 December 2020 and 31 December 2021

Our total liabilities decreased by RM7.2 million or 12.4%, from RM57.9 million as at 31 December 2020 to RM50.7 million as at 31 December 2021, mainly attributable to:

(i) decrease in other payables by RM7.6 million to RM1.4 million as at 31 December 2021 mainly due to net repayment of advances from directors of RM7.4 million and settlement of advances from related parties, Alunan Restu Sdn Bhd, Forecom HR Sdn Bhd and Sasita Express (M) Sdn Bhd of RM0.2 million;

(ii) payments of dividend of RM4.0 million; and

(iii) repayment of the amount due to former related companies, Dyna Auto Manufacturing Sdn Bhd, Ekspress Masyhur Semenanjung Sdn Bhd and Sepang Airport Sdn Bhd of RM0.7 million.

The said decreases were partially offset by the following:

(i) increase in lease liabilities by RM3.6 million to RM11.4 million as at 31 December 2021 mainly due to the net effects of the following:

- additional lease liabilities of RM6.6 million arising from the drawdown of hire purchase arrangements of RM6.2 million for the purchase of motor and commercial vehicles, computer software and equipment, plant and machinery (racking system, refrigeration system, forklifts, scrubbers and sweepers) as well as the rental of Penang International Airport Office and Butterworth Warehouse amounting to RM0.4 million; and

- scheduled repayment of lease liabilities of RM3.0 million; and

(ii) increase in deferred tax liabilities by RM1.0 million to RM2.3 million mainly due to accelerated capital allowance and utilisation of reinvestment allowance.

Comparison between 31 December 2021 and 31 December 2022

Our total liabilities increased by RM6.0 million or 11.8%, from RM50.7 million as at 31 December 2021 to RM56.7 million as at 31 December 2022 mainly due to:

(i) increase in lease liabilities by RM6.7 million to RM18.1 million as at 31 December 2022 mainly due to the net effects of the following:

- additional lease liabilities of RM11.2 million arising from the drawdown of hire purchase arrangements of RM9.3 million for the purchase of motor and commercial vehicles, plant and machinery (forklift, reach trucks, powered pallet trucks and racking system) as well as the rental of Bukit Minyak Office and Warehouse and an apartment in Shah Alam as accommodation for our foreign workers amounting to RM1.9 million; and

- scheduled repayment of lease liabilities of RM4.4 million; and

(ii) increase in deferred tax liabilities by RM0.5 million to RM2.8 million as at 31 December 2022, mainly due to accelerated capital allowance.

The said increases were partially offset by the following:

(i) decrease in trade payables of RM0.6 million to RM0.5 million as at 31 December 2022, mainly due to fewer spare parts purchased towards the end of FYE 2022; and

(ii) decrease in loans and borrowings by RM0.5 million to RM33.7 million as at 31 December 2022, mainly due to net effects of the drawdown of a term loans of RM3.0 million for our Group's working capital purposes, offset by scheduled repayment of term loans of RM3.5 million.

Comparison between 31 December 2022 and 31 December 2023

Our total liabilities increased by RM21.4 million or 37.7% from RM56.7 million as at 31 December 2022 to RM78.1 million as at 31 December 2023, mainly attributable to the following:

(i) increase in loans and borrowings by RM21.1 million to RM54.8 million as at 31 December 2023, primarily due to net effects of the drawdown of a term loan of RM14.8 million for the acquisition of Port Klang Office and Warehouse, partial drawdown of a term loan of RM6.8 million for the acquisition of Valdor Office and Warehouse, drawdown of term loans of RM3.9 million for our Group's working capital purposes and to finance the CLTA, and scheduled repayment of term loans of RM4.4 million; and

(ii) increase in deferred tax liabilities by RM1.0 million to RM3.8 million as at 31 December 2023, mainly due to accelerated capital allowances.

12.2.4 Review of cash flows

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net cash from operating activities	8,655	13,421	18,692	11,837
Net cash (used in) / from investing activities	(750)	6,167	(3,704)	(7,688)
Net cash used in financing activities	(3,619)	(15,900)	(8,604)	(9,856)
Net increase / (decrease) in cash and cash equivalents	4,286	3,688	6,384	(5,707)
Cash and cash equivalents at the beginning of the financial year	1,395	5,684	9,461	15,809
Effect of exchange translation differences on cash and bank balances	3	89	(36)	47
Cash and cash equivalents at the end of the financial year comprising cash and bank balances	**5,684**	**9,461**	**15,809**	**10,149**

FYE 2020

Net cash generated from operating activities

For FYE 2020, our Group recorded a net cash inflow from operating activities of RM8.7 million, from the collections of RM36.6 million from our customers and other income of RM0.1 million which comprises mainly insurance compensation of RM0.07 million and income from selling fresh fruit bunches of RM0.01 million.

The above collections were partially offset by cash payments of RM28.0 million in respect of the following:

(a) purchase of, amongst others, diesel, toll, subscription of GPS, insurance and spare parts as well as payments for subcontracted drivers totaling RM8.4 million;

(b) employee-related costs and other operating expenses of RM18.7 million; and

(c) income tax of RM0.9 million.

Net cash used in investing activities

For FYE 2020, our Group recorded a net cash outflow of RM0.8 million from investing activities, mainly attributable to the following:

(a) payments of balance purchase consideration of RM0.1 million for the acquisition of Bukit Mertajam Office and Warehouse, and other fixed assets of RM0.3 million (mainly office equipment such as computer equipment, closed-circuit television and mobile phones) for our business operations; and

(b) payment of balance purchase consideration of RM0.4 million for the acquisition of a freehold land located at Bukit Mertajam, Penang (investment property).

Net cash used in financing activities

For FYE 2020, our Group recorded a net cash outflow of RM3.6 million from financing activities mainly attributable to:

(a) scheduled repayments of lease liabilities of RM2.3 million;

(b) scheduled repayments of term loans of RM1.6 million;

(c) interests paid for the abovementioned term loans and lease liabilities of RM2.0 million; and

(d) advances to former related companies, Dyna Auto Manufacturing Sdn Bhd, Ekspress Masyhur Semenanjung Sdn Bhd and Sepang Airport Sdn Bhd of RM0.7 million.

The above outflows were offset via net advances from directors of RM0.5 million and drawdown of a term loan of RM2.5 million, both of which were for our Group's working capital purposes.

FYE 2021

Net cash generated from operating activities

For FYE 2021, our Group recorded a net cash inflow from operating activities of RM13.4 million, from the collections of RM51.2 million from our customers and other income of RM0.1 million, which comprises mainly insurance compensation of RM0.03 million and income from selling fresh fruit bunches of RM0.1 million.

The above collections were partially offset by payments of RM37.9 million in respect of the following:

(a) purchase of, among others, diesel, toll, subscription of GPS, insurance and spare parts as well as payments for subcontracted drivers totaling RM14.2 million;

(b) employee-related costs and other operating expenses of RM21.7 million; and

(c) income tax of RM2.0 million.

Net cash from investing activities

For FYE 2021, our Group recorded a net cash inflow of RM6.2 million from investing activities mainly attributable to the following:

(a) proceeds from the disposal of property, plant and equipment which comprises mainly RM8.2 million from the disposal of 2 freehold lands located at District of Klang, Selangor as well as motor and commercial vehicles of RM0.1 million;

(b) proceed from the disposal of right-of-use-assets involving a leasehold land of RM0.5 million located in the District of Kuala Langat, Selangor and commercial vehicles of RM0.2 million;

(c) proceed (net of cash) of RM0.7 million from the disposal of Forecom Sdn Bhd; and

(d) proceed of RM0.1 million from the disposal of 30.0% equity interest in SK Bonded Warehouse to Datuk Md Hassim Bin Pardi, a Bumiputera non-controlling interest who is our Non-Independent and Non-Executive Director, in anticipation of such requirement for the application of new bonded warehouse license(s) in the future, if required.

The above inflow was partially offset by the following:

(a) renovation cost of RM1.9 million for Bukit Mertajam Office and Warehouse as well as the purchase of other fixed assets of RM1.1 million (mainly plant and machinery such as wooden timber pallets, roller shutter for warehouse and storage racks, office equipment such as computer, computer software, accounting software, air-conditioning and mobile phones, and commercial vehicles such as equipment of box trailers) for our business operation;

(b) deposit paid for the acquisition of a Port Klang Office and Warehouse of RM0.5 million as well as the purchase of other assets of RM0.1 million, which comprises mainly plant and machinery, for our business operations; and

(c) purchase consideration of RM0.02 million for the acquisition of 25.0% equity interest in SK Ecommerce Logistics from a third party shareholder.

Net cash used in financing activities

For FYE 2021, our Group recorded a net cash outflow of RM15.9 million from financing activities mainly attributable to:

(a) scheduled repayments of lease liabilities of RM3.0 million;

(b) scheduled repayments of term loans of RM3.0 million;

(c) net repayment on advances from directors of RM7.4 million;

(d) payments of dividend of RM4.0 million; and

(e) interest paid for the abovementioned term loans and lease liabilities of RM2.3 million.

The above outflow was partially offset via the following:

(a) advances from former related company, Sepang Airport Sdn Bhd of RM0.1 million for our Group's working capital purposes which was fully settled in FYE 2022;

(b) drawdown of a term loan of RM3.0 million for our Group's working capital purposes; and

(c) repayment from former related companies, Dyna Auto Manufacturing Sdn Bhd, Ekspress Masyhur Semenanjung Sdn Bhd and Sepang Airport Sdn Bhd of RM0.7 million.

FYE 2022

Net cash generated from operating activities

For FYE 2022, our Group recorded a net cash inflow from operating activities of RM18.7 million, from the collections of RM58.8 million from our customers and other income of RM0.1 million, which comprises mainly insurance compensation of RM0.02 million, income from selling fresh fruit bunches of RM0.1 million and income from sales of used lubricants of RM0.02 million.

The above collections were partially offset by payments of RM40.2 million in respect of the following:

(a) purchase of, among others, diesel, toll, subscription of GPS, insurance and spare parts totaling RM15.5 million;

(b) employee-related costs and other operating expenses of RM21.9 million; and

(c) income tax of RM2.8 million.

Net cash used in investing activities

For FYE 2022, our Group recorded a net cash outflow of RM3.7 million from investing activities mainly attributable to the following:

(a) renovation cost of RM1.0 million for Bukit Mertajam Office and Warehouse as well as the purchase of other fixed assets of RM1.8 million (mainly plant and machinery such as sprinkler system, air conditioning, cold room panels, refrigeration system and plastic pallets, office equipment such as closed-circuit television and air conditioning, and commercial vehicles such as box trucks and box trailers) for our business operation;

(b) booking fee paid of RM0.3 million for the acquisition of Valdor Office and Warehouse; and

(c) deposits paid for the purchase of Port Klang Office and Warehouse of RM1.2 million as well as the purchase of other fixed assets of RM0.1 million, which comprise mainly motor vehicle and computer software and equipment, for our business operations.

The above outflow was partially offset by the following:

(a) proceed from the disposal of right-of-use-assets involving motor and commercial vehicles of RM0.3 million; and

(b) proceed (net of cash) of RM0.4 million from the disposal of a subsidiary company, Pengangkutan Ikatan Jerneh Sdn Bhd.

Net cash used in financing activities

For FYE 2022, our Group recorded a net cash outflow of RM8.6 million from financing activities mainly attributable to:

(a) scheduled repayments of lease liabilities of RM4.4 million;

(b) scheduled repayments of term loans of RM3.5 million;

(c) net repayment on advances from directors of RM0.2 million;

(d) payments of dividend of RM0.8 million;

(e) interest paid for the abovementioned term loans and lease liabilities of RM2.6 million; and

(f) repayment of advance from former related company, Sepang Airport Sdn Bhd of RM0.1 million.

The above outflow was partially offset via the drawdown of a term loan of RM3.0 million for our Group's working capital purposes.

FYE 2023

Net cash generated from operating activities

For FYE 2023, our Group recorded a net cash inflow from operating activities of RM11.8 million, from the collections of RM51.4 million from our customers and other income of RM0.2 million, which comprises mainly insurance compensation of RM0.1 million, income from selling fresh fruit bunches and income from sales of used lubricants totalling RM0.1 million.

The above collections were partially offset by payments of RM39.8 million in respect of the following:

(a) purchase of, among others, diesel, toll, subscription of GPS, insurance and spare parts totalling RM14.1 million;

(b) employee-related costs and other operating expenses of RM23.1 million; and

(c) income tax payments of RM2.6 million.

Net cash used in investing activities

For FYE 2023, our Group recorded a net cash outflow of RM7.7 million from investing activities mainly attributable to the following:

(a) license fees incurred in relation to the TBP issued by MBSA for our Shah Alam Office and Warehouse as well as Shah Alam Workshop of RM0.6 million, renovation cost of RM0.6 million for our Bukit Mertajam Office and Warehouse and Shah Alam Office and Warehouse as well as the purchase of other fixed assets totaling RM0.6 million (mainly furniture and fittings for our Port Klang Office and Warehouse, office equipment, and commercial vehicles equipment) for our business operation;

(b) partial payments of purchase consideration of RM3.7 million for the acquisition of our Valdor Office and Warehouse (classified as capital work-in-progress under property, plant and equipment);

(c) payment of balance purchase consideration of RM1.9 million for the acquisition of our Port Klang Office and Warehouse (classified under right-of-use assets); and

(d) payment of balance purchase consideration of RM0.5 million for the acquisition of motor and commercial vehicles as well as plant and machinery (forklifts and racking system) acquired via hire purchase arrangement.

The above outflow was partially offset by the proceeds from the disposal of right-of-use assets, being motor vehicles of RM0.2 million.

Net cash used in financing activities

For FYE 2023, our Group recorded a cash outflow of RM9.9 million from financing activities mainly attributable to:

(a) scheduled repayments of lease liabilities of RM5.8 million;

(b) scheduled repayments of term loans of RM4.4 million; and

(c) interest paid for the abovementioned term loans and lease liabilities of RM3.6 million.

The above outflows were partially offset via the drawdown of a term loan of RM3.9 million for our Group's working capital purposes and to finance the CLTA.

12.3 LIQUIDITY AND CAPITAL RESOURCES

12.3.1 Working capital

We finance our operations with cash generated from operations, credit extended by suppliers, finance leases and borrowings from financial and non-financial institutions as well as existing cash and bank balances.

The decision to utilise either internally generated funds or borrowings for our business operations depends on, amongst others, our cash and bank balances, expected cash inflows, future working capital requirements, future capital expenditure requirements and interest rates on borrowings. We carefully consider our cash position and ability to obtain further financing before making significant capital commitments.

Our Board is of the view that we have sufficient funds for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus after taking into consideration the following:

(a) our cash and cash equivalent of RM9.4 million as at LPD;

(b) our expected future cash flows from operations;

(c) our banking facilities of RM185.0 million (excluding lease liabilities) as at LPD, of which RM68.3 million have been utilised; and

(d) our pro forma gearing level of 1.4 times, computed based on our pro forma statements of financial position as at 31 December 2023 after the IPO and utilisation of proceeds.

At this juncture, we do not foresee any circumstances which may materially affect our liquidity. Our Group has not encountered any major disputes with our debtors. Our Account and Finance Department personnel will monitor the collection of outstanding balances on a daily basis. This measure has proven to be effective while maintaining a cordial relationship with our customers.

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12.4 BORROWINGS AND INDEBTEDNESS

All of our borrowings are secured, interest-bearing and denominated in RM. Our total outstanding borrowings as at 31 December 2023 stood at RM72.6 million, details of which are set out below:

	Purpose	Security	Tenure of the facility	Effective interest rate	As at 31 December 2023
				%	RM'000
Interest bearing short-term borrowings which are payable within 1 year:					
Term loans	Refinancing of term loan, purchase of properties and working capital purposes as well as to finance CLTA(1)	The term loans are secured by: (a) First party legal charge over the freehold and leasehold lands and buildings; (b) Existing Deed of Assignment over the rights, titles and interests over the capital work-in-progress (Valdor Office and Warehouse); (c) Joint and several guarantee by 2 directors of our Company; (d) Corporate guarantee by the former holding company, Prefered Advantage; (e) Corporate guarantee by a shareholder of the Company, Lille Management; (f) 70% guarantee of the loan amount by the Government under the Working Capital Guarantee Scheme; (g) Guarantee from Syarikat Jaminan Pembiayaan Perniagaan Berhad for RM2,400,000 under Pemulih Government Guarantee Scheme; and (h) CLTA without Money Back Protector (MBP) of total premium not exceeding of RM380,000 to cover insured a director for 15 year and insurance policy is to be assigned to the financial institution.	5 to 18 years	4.9 to 8.2	5,121

	Purpose	Security	Tenure of the facility	Effective interest rate	As at 31 December 2023
				%	RM'000
Lease liabilities	To purchase motor and commercial vehicles, computer software and equipment, plant and machinery via hire purchase arrangements	The hire purchase payables are secured by: (a) assets purchased through the hire purchase arrangements; and (b) individual or joint and several guarantee by 2 directors of our Company.	3 to 5 years	3.8 to 7.7	4,812
	Rental of branch offices and warehouses, and an apartment as accommodation for foreign workers		Initial lease of 24 to 36 months with option to renew for another 12 to 24 months	6.2	908
					10,841
Interest bearing long-term borrowings which are payable after 1 year:					
Term loans	Refinancing of term loan, purchase of properties and working capital purposes as well as to finance the CLTA[(1)]	The term loans are secured by: (a) First party legal charge over the freehold and leasehold lands and buildings; (b) Existing Deed of Assignment over the rights, titles and interests over the capital work-in-progress (Valdor Office and Warehouse); (c) Joint and several guarantee by 2 directors of our Company; (d) Corporate guarantee by the former holding company, Prefered Advantage; (e) Corporate guarantee by a shareholder of the Company, Lille Management; (f) 70% guarantee of the loan amount by the Government under the Working Capital Guarantee Scheme;	5 to 18 years	4.9 to 8.2	49,727

	Purpose	Security	Tenure of the facility	Effective interest rate	As at 31 December 2023
				%	**RM'000**
		(g) Guarantee from Syarikat Jaminan Pembiayaan Perniagaan Berhad for RM2,400,000 under Pemulih Government Guarantee Scheme; and (h) CLTA without Money Back Protector (MBP) of total premium not exceeding of RM380,000 to cover insured a director for 15 year and insurance policy is to be assigned to the financial institution.			
Lease liabilities	To purchase motor and commercial vehicles, computer software and equipment, plant and machinery via hire purchase arrangements	The hire purchase payables are secured by: (a) assets purchased through the hire purchase arrangements; (b) individual or joint and several guarantee by 2 directors of our Company.	3 to 5 years	3.8 to 7.7	11,378
	Rental of branch offices and warehouses, and apartment as accommodation for foreign workers		Initial lease of 24 to 36 months with option to renew for another 12 to 24 months	6.2	684
					61,789
Total borrowings					**72,630**

Gearing (times)

Before IPO and utilisation of proceeds(2)	1.2
After IPO and utilisation of proceeds(3)	1.4

Notes:

(1) The CLTA is designed to pay off the outstanding loan balance in the event of the assured's (in our case, Angeline Ong Lay Shee, as the director of our Group) death, total and permanent disability as well as terminal illness during the tenure of the term loans. Such insurance policy is taken up as required by the financier as additional security for the term loans on top of the directors' guarantee.

As the said insurance policy is independent of the directors' personal guarantee, it will not be withdrawn upon the release of the directors' personal guarantee for the said term loans upon completion of the Listing. Both securities should be viewed separately.

(2) Computed based on our pro forma total equity of RM60.3 million and pro forma borrowings (including lease liabilities) of RM73.3 million in the pro forma statements of financial position before IPO and utilisation of proceeds.

(3) Computed based on our pro forma total equity of RM83.8 million and pro forma borrowings (including lease liabilities) of RM121.1 million in the pro forma statements of financial position after the IPO and utilisation of proceeds.

Our total bank guarantees as at 31 December 2023 stood at RM0.4 million, details as set out below. All our bank guarantees are secured, interest-bearing and denominated in RM.

	Purpose	Security	Tenure	Interest rate	As at 31 December 2023
				% per month	RM'000
Bank guarantees	For issuance of tender, performance and payment guarantee in favour of Government / semi-government bodies, utility corporations and private corporations acceptable to the bank in relation to our normal business operations.	(a) First party legal charge over the freehold land and buildings; (b) Joint and several guarantee by 2 directors of our Company; and (c) Corporate guarantee by the former holding company, Prefered Advantage.	1 - 2 years	0.15%, subject to a minimum sum of RM100 per issuance	390

The liabilities in respect of the bank guarantees will only crystallise and become payable following a call by the Government / semi-government bodies, utility corporations and private corporations of the tender, performance and payment guarantee in accordance with the terms and conditions of such contracts. During FYE 2020 to 2023, we did not experience any call of the tender, performance or payment guarantees issued to our trade suppliers, government authorities and port operators.

As at LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency.

We have not defaulted on payments of principal sums and/or interests in respect of any of our borrowings throughout the FYE 2020 to 2023 and up to LPD.

As at LPD, our Group is not in breach of any terms, conditions or covenants associated with the credit arrangement or bank loans, which can materially affect our financial position and results or business operations or the investments by holders of our securities. During the FYE 2020 to 2023, we did not experience any clawback or reduction in the facilities limit granted to us by our lenders.

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12.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

Save as disclosed in Section 12.4, we do not have nor utilise any other financial instruments. We finance our operations mainly through cash generated from our operations, credit extended by our suppliers and external sources of funds which mainly comprise hire purchases and borrowings. The principal usages of these facilities are for working capital as well as the purchase of property, plant and equipment, investment properties and right-of-use assets.

Save for our hire purchase which carry fixed interest rates, other borrowings bear variable interest rates based on the bank's base lending rate plus or minus a rate, which varies depending on the different types of bank facilities.

12.6 MATERIAL CAPITAL COMMITMENTS

Save as disclosed below, we do not have any other material capital commitments as at LPD.

	To be funded from Public Issue	To be funded internally or via bank borrowings	As at LPD
	RM'000	RM'000	RM'000
Approved and contracted for:			
Purchase of Valdor Office and Warehouse[1]	-	57,460	57,460
Purchase of commercial vehicles	878	-	878
Purchase of plant and equipment	-	245	245
	878	**57,705**	**58,583**
Approved and not contracted for:			
Purchase of commercial vehicles	1,122	-	1,122
	1,122	**-**	**1,122**

Note:

(1) We had on 27 June 2023 entered into a sale and purchase agreement in relation to the purchase of the Valdor Office and Warehouse for a total consideration of RM67.6 million (excluding the incidental expenses), which will be used for our warehousing and distribution services catering to customers located in the northern region of Peninsular Malaysia.

The purchase of warehouses, commercial vehicles and plant and equipment for the expansion of our businesses are expected to be funded via combination of proceeds from our Public Issue, bank borrowings and/or internally generated funds.

12.7 MATERIAL LITIGATION AND CONTINGENT LIABILITIES

As at LPD, we are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant. There is no proceeding pending or threatened or any fact likely to give rise to any proceeding, which may materially or adversely affect our financial position or results.

As at LPD, saved for the bank guarantees as disclosed in Section 12.4, there are no material contingent liabilities incurred by our Group, which upon becoming enforceable may have a material effect on our financial position.

12.8 KEY FINANCIAL RATIOS

The key financial ratios of our Group for the FYE 2020 to 2023 are as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
Trade receivables turnover (days)[(1)]	47	54	50	53
Trade payables turnover (days)[(2)]	36	37	31	16
Inventory turnover (days)[(3)]	N/A	110	113	131
Current ratio (times)[(4)]	0.8	2.2	2.6	2.1
Gearing ratio (times)[(5)]	1.5	1.1	1.0	1.2

Notes:

(1) Computed based on the average trade receivables over total revenue multiplied by 365/366 days.

(2) Computed based on the average trade payables as at year-end over cost of sales (excludes manpower costs for drivers, diesel costs, toll and parking charges, direct labour costs, amortisation of right-of-use assets and depreciation of property, plant and equipment) multiplied by 365/366 days.

(3) Computed based on inventory as at year-end over cost of sales for FYE 2021 multiplied by 365 days, and average inventory as at year-end over cost of sales for FYE 2022 and 2023 multiplied by 365 days. For avoidance of doubt, the cost of sales excludes manpower costs for drivers, diesel costs, toll and parking charges, direct labour costs, amortisation of right-of-use assets, and depreciation of property, plant and equipment.

(4) Computed based on current assets over current liabilities.

(5) Computed based on total borrowings (including lease liabilities) over total equity.

12.8.1 Trade receivables turnover

Our trade receivables' turnover period for the FYE 2020 to 2023 is stated as below:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Opening trade receivables	4,135	6,939	8,399	7,022
Closing trade receivables	6,939	8,399	7,022	7,986
Average trade receivables	5,537	7,669	7,771	7,504
Revenue	43,071	52,256	56,743	51,984
Trade receivables turnover period (days)	47	54	50	53

Trade receivables are non-interest bearing, and the normal credit term typically granted to our customers ranges between 7 days and 90 days on a case-by-case basis by considering various factors such as the background and creditworthiness of the customer, our business relationship with our customers and the customers' credit history. Our Group has adopted a policy of only dealing with creditworthy counterparties and deposits with banks and financial institutions with good credit ratings. The exposure of credit risk is monitored on an ongoing basis, and action will be taken for long outstanding debts.

Our trade receivables turnover period for FYE 2020, 2021, 2022 and 2023 was 47 days, 54 days, 50 days and 53 days, respectively, which are within our credit term period.

Our trade receivables turnover period increased from 47 days for FYE 2020 to 54 days for FYE 2021, mainly attributable to higher sales made towards the last quarter of FYE 2021 amounting to RM14.3 million (last quarter of FYE 2020: RM11.0 million). Our trade receivables turnover period for FYE 2022 decreased to 50 days, mainly attributable to lower sales in the last quarter of FYE 2022, amounting to RM12.3 million (last quarter of FYE 2021: RM14.3 million). Our trade receivables turnover period for FYE 2023 increased to 53 days, mainly attributable to amounts receivables primarily from new customers for our warehousing and distribution services as well as point-to-point trucking services.

Our Group has major concentration of credit risk related to the amount owed by a customer, who is our major customer (Customer C), as at 31 December 2023 (as at 31 December 2022: 3 customers; as at 31 December 2021: 2 customers; and as at 31 December 2020: 3 customers), which constituted approximately 11.4% as at 31 December 2023 (as at 31 December 2022: 44.7%; as at 31 December 2021: 39.4%; and as at 31 December 2020: 47.9%) of our trade receivables as at the end of each of the FYE 2020 to 2023.

At each reporting date, our Group assesses whether any of the receivables are credit impaired. The gross carrying amount of credit-impaired trade receivables are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when our Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

Allowance for ECLs are recognised in two stages. For credit exposures for which, there has not been a significant increase in credit risk since initial recognition. ECLs are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, our Group applies a simplified approach to calculating ECLs. Therefore, our Group does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Our Group has performed its assessment based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

As our Group did not hold any collateral, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position. A significant portion of trade receivables represents regular customers of our Group. Our Group uses ageing analysis to monitor the credit quality of the trade receivables.

There was no impairment loss recognised under the ECLs for the FYE 2020 to 2023 after the assessment was performed based on its historical credit loss experience. Our trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with our Group. Trade receivables that were past due but not impaired are related to a number of independent customers with whom there is no recent history of default.

The ageing analysis of our trade receivables as at 31 December 2023 is as follows:

	Trade receivables as at 31 December 2023		Collection from 1 January 2024 to LPD	Balance trade receivables as at LPD
	RM'000	**Percentage of trade receivables**	**RM'000**	**RM'000**
	(a)	**(a)/total of (a)**	**(b)**	**(c) = (a)-(b)**
Neither past due nor impaired	6,243	78.2	5,390	853
Past due but not impaired:				
- less than 30 days	1,582	19.8	1,565	17
- 31 to 60 days	128	1.6	128	-
- over 60 days	33	0.4	33	-
	1,743	21.8	1,726	17
	7,986	**100.0**	**7,116**	**870**

As at 31 December 2023, our Group's trade receivables amounted to approximately RM8.0 million, of which RM1.7 million or 21.8% of our trade receivables exceeded the normal credit period. As at LPD, we have collected RM7.1 million or 89.1% of our total outstanding trade receivables as at 31 December 2023. The outstanding past due receivable of RM0.9 million was mainly due to slow payment from 2 customers for our warehousing and distribution services and trucking services.

Our Group has not encountered any major disputes with our trade receivables.

12.8.2 Trade payables turnover

Our trade payables' turnover period for the FYE 2020 to 2023 is as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Opening trade payables	780	904	1,139	538
Closing trade payables	904	1,139	538	186
Average trade payables	842	1,022	839	362
Cost of sales(1)	8,618	10,131	9,968	8,367
Average trade payables turnover period (days)	36	37	31	16

Note:

(1) Comprises cost of sales but excludes manpower costs for drivers, diesel costs, toll and parking charges, direct labour costs, amortisation of right-of-use assets and depreciation of property, plant and equipment.

Trade payables comprise amounts outstanding for trade purchases. The credit terms granted to our Group for trade purchases typically ranges from 3 to 120 days. However, we maintain a minimal balance of trade payables as our trade purchases are not a significant amount (less than RM1.1 million over the FYE 2020 to 2023). Nonetheless, it is our practice to make prompt payment to our suppliers in order to maintain good relationship and safeguard the continuity of supplies at more favourable terms and pricing.

Our trade payables turnover period for FYE 2020, 2021, 2022 and 2023 was 36 days, 37 days, 31 days and 16 days, respectively, which were within the normal credit terms granted by our suppliers.

The ageing analysis of our trade payables as at 31 December 2023 is as follows:

	Trade payables as at 31 December 2023		Payment from 1 January 2024 to LPD	Balance trade payables as at LPD
	RM'000	Percentage of trade payables	RM'000	RM'000
	(a)	(a)/total of (a)	(b)	(c) = (a)-(b)
Within credit period	155	83.3	141	14
Exceeding credit period:				
- 1 to 30 days	31	16.7	31	-
- 31 to 60 days	-	-	-	*
- More than 60 days	-	-	-	-
	31	16.7	31	-
	186	**100.0**	**172**	**14**

Note:

* Less than RM1,000.

As at 31 December 2023, our total trade payables stood at RM0.2 million, with RM0.03 million or 16.7% of our trade payables exceeding the normal credit period.

As at LPD, we have insignificant outstanding trade payables.

As at LPD, we do not have any material disputes in respect of our trade payables, and no material legal proceedings to demand for payment have been initiated by our suppliers against us.

12.8.3 Inventory turnover

Our inventory turnover period for the FYE 2020 to 2023 is set out below:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Opening inventories	-	-	3,078	3,106
Closing inventories	-	3,078	3,106	2,918
Average inventories	N/A	(2)3,078	3,092	3,012
Cost of sales(1)	8,618	10,131	9,968	8,367
Average inventory turnover period (days)	N/A	110	113	131

Notes:

(1) Comprises cost of sales but excludes manpower costs for drivers, diesel costs, toll and parking charges, direct labour costs, amortisation of right-of-use assets and depreciation of property, plant and equipment.

(2) No average inventories computed as the opening balance does not apply, since we only began maintaining stock in FYE 2021.

During FYE 2021, we commenced maintaining inventories for commercial vehicle's spare parts for our in-house commercial vehicle maintenance services in anticipation of the shortage of commercial vehicle's spare parts resulting from the interruption in the global supply chain during the COVID-19 pandemic.

Our inventories comprise spare parts and consumables goods, including but not limited to filters, air valves, electrical parts and engine parts that we purchased from our suppliers. We constantly endeavour to maintain a sufficient inventory level to ensure sufficient supply in supporting the repair and maintenance works for our fleet of commercial vehicles.

The process of replenishing our inventories involves monitoring and restocking when the inventory quantities fall below predetermined levels which vary depending on the brand and model of the commercial vehicles.

From time to time, our storekeeper will assess the inventory levels of the commercial vehicles spare parts. If the inventory level is insufficient, the storekeeper notifies the Managing Director, who then determines the order quantity. We do not keep stock for all spare parts as some are readily available for purchase, and some are rarely used parts and hence, such spare parts are purchased only when needed.

Our inventory turnover for FYE 2021 and 2022 was 110 days and 113 days, respectively which were relatively consistent.

We did not record any material changes in our average inventories for FYE 2023 as we continued to maintain a sufficient level of inventory. However, we recorded a decrease in our cost of sales for FYE 2023 as explained in Section 12.2.2(b) above. This resulted in our inventory turnover increasing to 131 days (FYE 2022: 113 days).

12.8.4 Current ratio

Our current ratio throughout the FYE 2020 to 2023 is as follows:

	Audited			
	As at 31 December			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current assets	15,156	22,511	29,877	25,590
Current liabilities	19,468	10,189	11,570	12,434
Net current (liabilities) / assets	**(4,312)**	**12,322**	**18,307**	**13,156**
Current ratio (times)	0.8	2.2	2.6	2.1

We recorded a lower current ratio of 0.8 times for FYE 2020, mainly attributable to the amount due to directors of RM7.6 million, dividend payable of RM4.0 million and there being no inventories maintained by our Group as at 31 December 2020 as compared to 31 December 2021 and 2022.

For FYE 2021, our current ratio increased to 2.2 times (FYE 2020: 0.8 times) mainly attributable to the net effects of the following:

(a) increase in cash and bank balances of RM3.8 million to RM9.5 million as at 31 December 2021 was mainly due to the drawdown of a term loan of RM3.0 million for our Group's working capital purposes and cash generated from our business operations;

(b) there being inventories of RM3.1 million as at 31 December 2021 (31 December 2020: RM Nil) as our Group started to maintain inventories for commercial vehicle's spare parts for in anticipation of a shortage resulting from the interruption in the global supply chain during the COVID-19 pandemic;

(c) decrease in other payables by RM7.6 million to RM1.4 million as at 31 December 2021 mainly due to net repayment of advances from directors of RM7.4 million and the settlement of advances from related parties, Alunan Restu Sdn Bhd, Forecom HR Sdn Bhd and Sasita Express (M) Sdn Bhd of RM0.2 million;

(d) payments for dividend of RM4.0 million; and

(e) increase in short-term lease liabilities by RM1.8 million to RM4.2 million as at 31 December 2021 mainly due to the drawdown of hire purchase arrangements of RM6.2 million for the purchase of motor and commercial vehicles, computer software and equipment and plant and machinery (racking system, refrigeration system, forklifts, scrubbers and sweepers) as well as the rental of Penang International Airport Office and Butterworth Warehouse amounting to RM0.4 million, after offset with the scheduled repayment of lease liabilities of RM3.0 million.

For FYE 2022, our current ratio increased to 2.6 times (FYE 2021: 2.2 times) mainly due to the net effects of the following:

(a) increase in cash and bank balances of RM6.3 million to RM15.8 million as at 31 December 2022 was mainly due to the drawdown of a term loan of RM3.0 million for our Group's working capital purposes and cash generated from our business operations;

(b) increase in other receivables of RM2.1 million to RM3.7 million as at 31 December 2022 mainly due to the net effects of the following:

- deposit of RM1.2 million paid for the acquisition of Port Klang Office and Warehouse, for our expansion of warehousing and distribution services;

- booking fee of RM0.3 million paid for the acquisition of Valdor Office and Warehouse, for our expansion of warehousing and distribution services;

- additional rental deposit of RM0.2 million, mainly due to rental of Bukit Minyak Office and Warehouse and an apartment in Shah Alam as accommodation for our foreign workers; and

- increase in prepayment for new hire purchase arrangements of RM0.2 million.

(c) increase in short-term lease liabilities by RM1.3 million to RM5.5 million as at 31 December 2022 mainly due to the drawdown of hire purchase arrangements of RM9.3 million for the purchase of motor and commercial vehicles and plant and machinery (forklift, reach trucks, powered pallet trucks and racking system) as well as the rental of Bukit Minyak Office and Warehouse and an apartment in Shah Alam as accommodation for our foreign workers amounting to RM1.9 million, after offset with the scheduled repayment of lease liabilities of RM4.4 million.

For FYE 2023, our current ratio decreased to 2.1 times (FYE 2022: 2.6 times) mainly due to the net effects of the following:

(a) decrease in cash and bank balances of RM5.7 million to RM10.1 million as at 31 December 2023, mainly due to partial payment of purchase consideration of RM3.7 million for the acquisition of our Valdor Office and Warehouse and payment of balance purchase consideration of RM1.9 million for the acquisition of our Port Klang Office and Warehouse;

(b) increase in trade receivables of RM1.0 million to RM8.0 million as at 31 December 2023, mainly due to receivables primarily from new customers for our warehousing and distribution services as well as point-to-point trucking services; and

(c) increase in short-term loans and borrowings by RM1.2 million to RM5.1 million as at 31 December 2023, mainly due to the drawdown of a term loan of RM14.8 million for the acquisition of Port Klang Office and Warehouse, partial drawdown of a term loan of RM6.8 million for the acquisition of Valdor Office and Warehouse, drawdown of term loans of RM3.9 million for our Group's working capital purposes and the directors' insurance policy relating to the directors' guarantees for our banking facilities, and scheduled repayment of term loans of RM4.4 million.

Our current ratio of 2.2 times, 2.6 times and 2.1 times for FYE 2021, 2022 and 2023 indicates that our Group can meet our current obligations as our current assets, such as trade receivables which can be readily converted into cash, together with our cash and bank balances, are sufficient to meet immediate current liabilities.

12.8.5 Gearing ratio

Our gearing ratio throughout the FYE 2020 to 2023 is as follows:

	Audited			
	As at 31 December			
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total borrowings[(1)]	41,966	45,613	51,813	72,630
Total equity	27,714	42,330	53,867	60,268
Gearing ratio (times)	1.5	1.1	1.0	1.2

Note:

(1) Computed based on total interest-bearing borrowings (including lease liabilities).

Our gearing ratios for the FYE 2020 to 2023 range from 1.0 time to 1.5 times.

Our gearing ratio decreased to 1.1 times for FYE 2021 (FYE 2020: 1.5 times) mainly due to the increase in our total equity as a result of the increase in our Group's retained earnings arising from PAT of RM14.5 million in FYE 2021.

Our gearing ratio decreased to 1.0 times for FYE 2022 mainly due to the increase in our total equity as a result of the increase in our Group's retained earnings arising from PAT of RM12.3 million in FYE 2022.

Our gearing ratio increased to 1.2 times for FYE 2023 mainly due to the increase in our total borrowings of RM20.8 million as a result of the drawdown of a term loan of RM14.8 million for the acquisition of Port Klang Office and Warehouse, partial drawdown of a term loan of RM6.8 million for the acquisition of Valdor Office and Warehouse, drawdown of term loans of RM3.9 million for our Group's working capital purposes and the directors' insurance policy relating to the directors' guarantees for our banking facilities, and scheduled repayment of term loans of RM4.4 million. Such increase was partially offset by the increase in total equity as a result of the increase in our Group's retained earnings arising from PAT of RM6.4 million in FYE 2023.

12.9 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

Save for policies in relation to COVID-19 pandemic, there were no government, economic, fiscal or monetary policies or factors which materially affected our operations during the FYE 2020 to 2023.

There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward. Risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations are set out in Section 9.

12.10 IMPACT OF INFLATION

During FYE 2020 to 2023, our financial performance was not materially affected by inflation. However, there is no assurance that our financial performance will not be adversely affected by inflation moving forward. Any significant increase in future inflation affecting our costs in the future may adversely affect our operations and performance if we are unable to pass on the higher costs to our customers.

12.11 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES ON OUR GROUP'S OPERATIONS

(a) Impact of foreign exchange rates

Our proportion of sales and purchases denominated in local and foreign currencies are as follows:

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sales denominated in:								
(i) RM	41,825	97.1	51,067	97.7	56,159	99.0	51,262	98.6
(ii) EUR	353	0.8	874	1.7	337	0.6	258	0.5
(iii) USD	664	1.5	305	0.6	155	0.3	206	0.4
(iv) SGD	147	0.3	10	*	92	0.1	258	0.5
(v) RMB	82	0.3	-	-	-	-	-	-
Total revenue	**43,071**	**100.0**	**52,256**	**100.0**	**56,743**	**100.0**	**51,984**	**100.0**
Purchases denominated in:								
(i) RM	13,925	96.2	16,999	96.7	16,447	98.0	14,730	98.5
(ii) SGD	493	3.4	461	2.6	187	1.1	73	0.5
(iii) USD	13	0.1	6	*	145	0.9	-	-
(iv) EUR	47	0.3	-	-	1	*	-	-
(v) THB	-	-	119	0.7	-	-	155	1.0
Total purchases	**14,478**	**100.0**	**17,585**	**100.0**	**16,780**	**100.0**	**14,958**	**100.0**

Note:

* Less than 0.1%.

We are exposed to transactional currency exposure as 2.9%, 2.3%, 1.0% and 1.4% of our total revenue were denominated in foreign currencies for FYE 2020, 2021, 2022 and 2023 respectively.

Any significant change in foreign exchange rates may affect our financial performance.

For the FYE 2020 to 2023, our losses and gains from foreign exchange fluctuations are as follows:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Realised (loss) / gain on foreign exchange	(20)	6	*	*
Unrealised gain / (loss) on foreign exchange	21	101	(32)	49
Net gain / (loss)	**1**	**107**	**(32)**	**49**

Note:

* Less than RM1,000.

We maintain foreign currency accounts to receive the sales proceeds in foreign currencies. We currently do not have a formal policy with respect to our foreign exchange transactions. Exposure on foreign exchange is monitored on an ongoing basis, and our Group endeavours to keep the net exposure at an acceptable level. Our Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

Our Group does not hedge our exposure to fluctuation in foreign currency exchange rates. Further, as at LPD, we have not entered into any forward foreign exchange contracts. As such, we are subject to foreign exchange fluctuation risk for our revenue and purchases denominated in foreign currencies which we transact. A depreciation of the RM against the currencies which we transact will lead to higher revenue in RM after conversion and vice versa.

(b) Impact of interest rates

Interest coverage ratio measures the number of times a company can make its interest payments with its EBIT. Our interest coverage ratio for FYE 2020 to 2023 is as follows:

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**
EBIT	12,378	19,771	17,880	13,309
Finance cost	2,104	2,267	2,657	3,628
Interest coverage ratio (times)(1)	5.9	8.7	6.7	3.7

Note:

(1) Computed based on EBIT over finance costs for FYE 2020 to 2023.

Our interest coverage ratios range from 3.7 times to 8.7 times from FYE 2020 to 2023, indicating that our Group was able to generate sufficient profits from operations to meet our interest serving obligations.

Our financial results for FYE 2020 to 2023 were not materially affected by fluctuations in interest rates. However, any major increase in interest rates would raise the cost of our borrowings and our finance costs which may have an adverse effect on the performance of our Group. A change in 1% of interest rate would have increased / (decreased) our Group's profit before tax by RM548,485 for FYE 2023 (FYE 2022: RM337,457; FYE 2021: RM342,195 and FYE 2020: RM341,573), arising mainly as a result of lower / higher interest expense on floating rate loans and borrowings.

(c) Impact of commodity prices

Diesel is one of our major purchases to operate our fleet of commercial vehicles. Diesel accounted for approximately RM4.6 million or 18.9%, RM5.8 million or 20.9%, RM5.5 million or 19.2% and RM5.1 million or 18.3% of our total cost of sales, respectively, for FYE 2020 to 2023.

As diesel in Malaysia is subsidised by the Government, in the event the Government decides to cancel or reduce the subsidy for diesel, we are susceptible to an increase in diesel prices which will increase our operating costs and have an adverse impact on our profitability, if we are unable to pass on the increase to our customers through corresponding increases in our rates. Notwithstanding that we may be able to pass on part of any increases in diesel prices to some of our customers, we may not be able to pass on the full effect of a diesel price increase to our customers.

12.12 SIGNIFICANT CHANGES

There are no significant changes which may have a material effect on the financial position and results of our Group subsequent to FYE 2023 and up to LPD.

12.13 ORDER BOOK

We do not enter into long-term contracts with our customers. Our sales from trucking services, container haulage services and warehousing and distribution services are made based on purchase orders from our customers on an ongoing basis. Sales from other logistics-related services are sold to customers on ad-hoc basis. Due to the nature of our business, we do not maintain an order book.

12.14 DIRECTORS' DECLARATION ON OUR FINANCIAL PERFORMANCE

Our Board is of the opinion that:

(a) Our revenue will remain sustainable with an upward growth trend, in line with the anticipated growth in the logistics and warehousing industry in Malaysia and trucking industry in Malaysia and Singapore as set out in the IMR Report;

(b) Our liquidity will improve further subsequent to the Public Issue given the additional funds to be raised for our Group to carry out our future plans and business strategies as stated in Section 7.15; and

(c) Our capital resources will strengthen, taking into account the amount to be raised from the Public Issue as well as internally generated funds. We may consider debt or equity funding for our capital expansion should the need arise.

In addition to the above, our Board confirms that there are no circumstances which would result in a significant decline in our revenue and GP margin or know of any factors that are likely to have a material impact on our liquidity, revenue or profitability.

12.15 TREND INFORMATION

As at LPD, our financial performance, position and operations are not affected by any of the following:

(a) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favorable or unfavorable impact on our financial performance, position and operations, save as disclosed in Sections 7.8, 12.9, 12.10 and 12.11;

(b) Material commitments for capital expenditure as disclosed in Section 12.6;

(c) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as disclosed in Sections 7.8 and 9;

(d) Known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue save for those that had been discussed in Sections 12.2 and 12.11; and

(e) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position other than those discussed in Sections 12.2, 12.9 and 12.11.

Our Board is optimistic about the future prospects of our Group given our competitive strengths as set out in Section 7.14, the outlook of the logistics and warehousing industry in Malaysia and trucking industry in Malaysia and Singapore as set out in the IMR Report in Section 8 and our business strategies and future plans as set out in Section 7.15.

12.16 DIVIDEND POLICY

Our Group presently does not have any formal dividend policy and the declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividends for the year are subject to shareholders' approval. We will require financiers' consent as set out in the respective facility agreements to pay dividends to our shareholders in the future. However, our Board will consider the following factors (which may not be exhaustive) when recommending dividends for approval by our shareholders or when declaring any interim dividends:

(a) the level of cash and level of indebtedness;

(b) required and expected interest expense, cash flows, profits, return on equity and retained earnings;

(c) our expected results of operations and future level of operations;

(d) our projected levels of capital expenditure and other investment plans; and

(e) the prior consent from our lenders, if any.

There is no assurance as to whether the dividend distribution will occur, the amount of dividend payment or timing of such payment.

Further, under the Act, our Company may not declare or pay dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(a) our Company is, or would after the payment be unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than its liabilities.

For the FYE 2020 to 2023 and up to LPD, we have declared and paid the following dividends:

	Audited				Unaudited
	FYE 2020	**FYE 2021**	**FYE 2022**	**FYE 2023**	**1 January 2024 up to LPD**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
PAT attributable to owners of our Company	9,385	14,496	12,339	6,418	N/A
Dividends declared	(1)4,000	-	(2)800	-	-
Dividend paid	-	4,000	800	-	-

Notes:

N/A Not applicable as we did not prepare financial statements from 1 January 2024 up to LPD.

(1) During FYE 2020, an interim dividend of RM4.0 million was declared on 15 October 2020 and paid over the course of FYE 2021.

(2) During FYE 2022, an interim dividend of RM0.8 million was declared on 18 May 2022 and paid on 9 June 2022.

The dividends above were funded by internal funds sourced from the cash and bank balances of our Company. The dividends will not affect the execution and implementation of our future plans or business strategies. Together with the IPO proceeds, we believe that we have sufficient funding of cash from operations and bank borrowings for the funding requirements for our operations and our expansion plans.

Subsequent to LPD, no dividend was declared, made or paid by our Group. Our Group does not intend to declare any dividend prior to the IPO.

No influence should or can be made from any of the above statements as to our actual future profitability or our ability to pay dividends in the future.

12.17 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness based on the latest unaudited financial information of our Group as at 1 March 2024 and after adjusting for the effects of the IPO and utilisation of proceeds.

	Unaudited	I	II
	As at 1 March 2024	After our IPO[1]	After I and utilisation of proceeds[2]
	RM'000	RM'000	RM'000
Capitalisation			
Total equity	59,212	85,212	82,769
Total capitalisation	**59,212**	**85,212**	**82,769**
Indebtedness			
Current			
Secured			
Term loans	5,095	5,095	3,875
Lease liabilities[3]	4,765	4,765	4,765
Unsecured			
Lease liabilities[4]	908	908	908
Non-current			
Secured			
Term loans	49,108	49,108	98,158
Lease liabilities[3]	11,024	11,024	11,024
Unsecured			
Lease liabilities[4]	536	536	536
Contingent liabilities[5]	370	370	370
Total indebtedness	**71,806**	**71,806**	**119,636**
Total capitalisation and indebtedness	**131,018**	**157,018**	**202,405**
Gearing ratio (times)[6]	**1.2**	**0.8**	**1.4**

Notes:

(1) After the Public Issue of RM26.0 million.

(2) After the drawdown of RM57.5 million term loans financing for acquisition of Valdor Office and Warehouse and utilisation of proceeds for the following events:

(i) RM9.6 million repayment of term loans; and
(ii) RM2.4 million payment of estimated listing expenses.

(3) Lease liabilities in respect of leases via hire purchase arrangements.

(4) Lease liabilities in respect of tenancies for buildings.

(5) Utilised bank guarantees out of the facility limit of RM0.5 million primarily issued to trade suppliers, government authorities, airport terminal operator and port operators.

(6) Calculated based on total indebtedness (excluding contingent liabilities) divided by total capitalisation.