6.14 Brand Names, Registrations and Trademarks

We regard our brand names as important to our continued success and have taken steps to protect our proprietary rights over such brand names by registering our currently marketed brands and brands reserved for future expansion as trademarks. Our Group has registered the following trademarks as at the LPD:

No.	Trademark	Registered owner	Country of registration	Class	Description	Trademark no.	Validity period
1.		XHTT	Singapore	16	Bookbinding material; booklets; books; calendars; cardboards; paper cards; stationery; handbooks; maps; newsletter; newspaper; magazine; note books; writing pads; papers; pictures; photographs; printed matter; post cards; poster; invoice pads; wrapping paper; instructions materials for writing, and writing materials	T1220098E	31.12.2012 to 31.12.2022
2.		XHTT	Singapore	25	Clothing, headgear and footwear	T1220099C	31.12.2012 to 31.12.2022
3.		XHTT	Singapore	35	Advertising and marketing; business advice relating to franchising; business management and consultancy services; demonstration of goods for promotional purposes; distribution of samples, organisation of exhibitions or trade fairs for commercial or advertising purpose and sales promotion	T1220100J	31.12.2012 to 31.12.2022
4.		XHTT	Singapore	39	Transport and transportation logistics services; packaging and storage of goods; travel arrangement	T1220191I	31.12.2012 to 31.12.2022

No.	Trademark	Registered owner	Country of registration	Class	Description	Trademark no.	Validity period
5.	XIN HWA	XHTT	Singapore	16	Bookbinding material; booklets; books; calendars; cardboards; paper cards; stationery; handbooks; maps; newsletter; newspaper; magazine; note books; writing pads; papers; pictures; photographs; printed matter; post cards; poster; invoice pads; wrapping paper; instructions materials for writing, and writing materials	T1220102G	31.12.2012 to 31.12.2022
6.	XIN HWA	XHTT	Singapore	25	Clothing, headgear and footwear	T1220103E	31.12.2012 to 31.12.2022
7.	XIN HWA	XHTT	Singapore	35	The bringing together, for the benefit of others, of a variety of goods, enabling customers to conveniently view and purchase those goods in a retail store or a warehouse, and via the global communication network; advertising and marketing; business advice relating to franchising; business management and consultancy services; demonstration of goods for promotional purposes; distribution of samples; organisation of exhibitions or trade fairs for commercial or advertising purpose and sales promotion	T1220104C	31.12.2012 to 31.12.2022
8.	XIN HWA	XHTT	Singapore	39	Transport and transportation logistics services; packaging and storage of goods; travel arrangement	T1220105A	31.12.2012 to 31.12.2022

No.	Trademark	Registered owner	Country of registration	Class	Description	Trademark no.	Validity period
9.		XHTT	Malaysia	16	Bookbinding material; booklets; books; calendars; cardboards; paper cards; stationery; handbooks; maps; newsletter; newspaper; magazine; note books; pads; papers; pictures; photographs; printed matter; post cards; poster; invoice; wrapping paper; writing instructions and writing materials; all included in class 16	2012059876	08.12.2012 to 08.12.2022
10.		XHTT	Malaysia	25	Clothing, headgear and footwear; all included in class 25	2012059877	08.12.2012 to 08.12.2022
11.		XHTT	Malaysia	35	The bringing together, for the benefit of others, of a variety of goods, enabling customers to conveniently view and purchase those goods in a retail furniture store or a warehouse, and via the global communications network; advertising and marketing; business advice relating to franchising; business management and consultancy services; demonstration of goods; distribution of samples; organisation of exhibitions or trade fairs for commercial or advertising purposes; sales promotion; all included in class 35	2012059878	08.12.2012 to 08.12.2022
12.		XHTT	Malaysia	39	Transport and logistics; packaging and storage of goods; travel arrangement; all included in class 39	2012059879	08.12.2012 to 08.12.2022

No.	Trademark	Registered owner	Country of registration	Class	Description	Trademark no.	Validity period
13.	XIN HWA	XHTT	Malaysia	16	Bookbinding material; booklets; books; calendars; cardboards; paper cards; stationery; handbooks; maps; newsletter; newspaper; magazine; note books; pads; papers; pictures; photographs; printed matter; post cards; poster; invoice; wrapping paper; writing instructions and writing materials; all included in class 16	2012059872	08.12.2012 to 08.12.2022
14.	XIN HWA	XHTT	Malaysia	25	Clothing, headgear and footwear; all included in class 25	2012059873	08.12.2012 to 08.12.2022
15.	XIN HWA	XHTT	Malaysia	35	The bringing together, for the benefit of others, of a variety of goods, enabling customers to conveniently view and purchase those goods in a retail furniture store or a warehouse, and via the global communications network; advertising and marketing; business advice relating to franchising; business management and consultancy services; demonstration of goods; distribution of samples; organisation of exhibitions or trade fairs for commercial or advertising purposes; sales promotion; all included in class 35	2012059874	08.12.2012 to 08.12.2022
16.	XIN HWA	XHTT	Malaysia	39	Transport and logistics; packaging and storage of goods; travel arrangement; all included in class 39	2012059875	08.12.2012 to 08.12.2022

Save for the proprietary trademarks and intellectual property rights as disclosed in Section 6.14 above, our Group is not dependent on any other intellectual property rights in our business operations.

6.15 Dependency on Contracts / Arrangements / Documents / Other Matters

Save for the major licences and trademarks as disclosed in Sections 6.13 and 6.14 of this Prospectus, our Group is not dependent on any other patents, licences, industrial, commercial or financial contracts that could materially affect our business.

6.16 Major Customers

Our Group does not have any individual customer that accounted for ten percent (10%) or more of our total Group's revenue for the past four (4) financial years up to the FYE 31 December 2014.

The table below lists our top five (5) customers for each respective financial years up to the FYE 31 December 2014.

Customers	Industry	Length of relationship Years	<---- FYE 31 December ---->							
			2011		2012		2013		2014	
			RM'000	%*	RM'000	%*	RM'000	%*	RM'000	%*
Johor Port Berhad	Port operator	10	5,789	7.78	5,488	6.02	5,609	5.73	4,970	4.49
Pelabuhan Tanjung Pelepas Sdn Bhd	Port operator	5	1,583	2.13	4,169	4.57	5,325	5.44	5,568	5.03
Favourite Design Sdn Bhd	Furniture	6	3,490	4.69	4,127	4.52	4,074	4.16	4,518	4.08
Lii Hen Furniture Sdn Bhd	Furniture	6	2,593	3.48	3,080	3.38	2,113	2.16	2,309	2.09
NOV FGS Singapore (Pte) Ltd	Marine equipment and supplies	4	2,047	2.75	2,523	2.77	2,402	2.45	4,263	3.87
HL-Manufacturing Industries Sdn Bhd	Building materials	9	1,991	2.67	2,854	3.13	2,603	2.66	4,040	3.67
SPC Industries Sdn Bhd	Building materials	5	901	1.21	2,552	2.80	4,243	4.33	10,217	9.24
Penang Port Sdn Bhd	Port operator	1	-	-	-	-	-	-	5,460	4.94
Flextronics Technology (Penang) Sdn Bhd	Electrical and electronic	1	-	-	-	-	-	-	4,982	4.50

Note:

* Computed based on the Group's total revenue for the respective financial years.

6.17 Major Suppliers

The table below lists the suppliers that accounted for ten percent (10%) or more of our total Group's purchases for the past four (4) financial years up to the FYE 31 December 2014. The purchases comprised mainly of fuel and spare parts.

Suppliers	Type of supplies	Length of relationship Years	<---------- FYE 31 December ---------->							
			2011		2012		2013		2014	
			RM'000	%	RM'000	%	RM'000	%	RM'000	%
Chevron Malaysia Limited	Fuel	8	3,625	20.28	7,024	34.05	6,462	28.22	6,535	26.14
Shell Malaysia Trading Sdn Bhd	Fuel	9	312	1.75	2,263	10.97	5,572	24.34	6,296	25.19
Transformer Heavy Link Auto Sdn Bhd	Spare parts	3	-	-	909	4.41	3,433	14.99	4,092	16.37
Petron Fuel International Sdn Bhd (formerly known as Exxonmobil (M) Sdn Bhd)	Fuel	13	3,239	18.12	3,083	14.95	1,676	7.32	1,870	7.48
Visi One Trading	Fuel	6	2,168	12.13	565	2.74	378	1.65	280	1.12

The increase in the purchases from Chevron Malaysia Limited from RM3.63 million for the FYE 31 December 2011 to RM7.02 million for the FYE 31 December 2012 was due mainly to an increase in fuel consumption for our land transport operations. The decrease in the purchases from Chevron Malaysia Limited and Petron Fuel International Sdn Bhd (formerly known as Exxonmobil (M) Sdn Bhd) of approximately RM0.48 million and RM1.21 million, respectively for the FYE 31 December 2014 as compared to the FYE 31 December 2012 was due mainly to the switch of supplier

Purchases from Shell Malaysia Trading Sdn Bhd had increased from RM0.31 million for the FYE 31 December 2011 to RM6.30 million for the FYE 31 December 2014 due mainly to the switch of supplier due to better pricing and payment terms offered by Shell Malaysia Trading Sdn Bhd. This had subsequently resulted in a decrease in purchases from Visi One Trading for the financial years under review.

The increase in the purchases of spare parts from Transformer Heavy Link Auto Sdn Bhd for the FYE 31 December 2014 of approximately RM3.18 million as compared to the FYE 31 December 2012 was due mainly to bulk discount given by the supplier and hence, higher purchases were made from Transformer Heavy Link Auto Sdn Bhd.

We are not dependent on any single supplier due to the availability of a large pool of local and overseas supplier for fuel and spare parts. In addition, we have maintained good business relationships with our suppliers and we have not experienced any difficulty in obtaining supplies of fuel or spare parts from our suppliers.

6.18 Property, Plant and Equipment

6.18.1 Properties Owned by Our Group

The summary of the information on properties owned by our Group as at the LPD are set out below:

No.	Registered owner	Title / Location	Description / Existing use	Tenure	Land area / Gross floor area sq. ft.	Audited NBV as at 31 December 2014 RM'000	Market value as at 16 March 2015^ RM'000	Revaluation surplus* RM'000	Date of issuance of certificate of fitness / certificate of completion and compliance	Encumbrances
1.	XHTT	Title no. HSM 3747, Lot PTD 152513, Mukim of Tebrau, District of Johor Bahru, State of Johor Darul Takzim No. 2, Jalan Permatang 2, Kempas Baru, 81200 Johor Bahru, Johor Darul Takzim	A piece of commercial land erected with a single-storey warehouse with two-storey office and store and three-storey office annexes, a double-storey warehouse and other ancillary buildings used as the head office of our Group and warehouse	Freehold	245,007 / 220,483	41,564	46,000	4,436[(a)]	26 November 2009	Charged to United Overseas Bank (Malaysia) Berhad
2.	XHTT	Title no. HSD 473187, Lot PTD 202514, Mukim of Plentong, District of Johor Bahru, State of Johor Darul Takzim Sited along Jalan Keluli 9, Kawasan Perindustrian Pasir Gudang, 81700 Pasir Gudang, Johor Darul Takzim	A piece of industrial land erected with a single-storey detached cabin office and a guard house used as branch office and parking yard of XHTT[(b)]	Leasehold expiring on 31 May 2069	130,680	3,337	3,920	583[(a)]	Not applicable	Charged to CIMB Islamic Bank Berhad

No.	Registered owner	Title / Location	Description / Existing use	Tenure	Land area / Gross floor area sq. ft.	Audited NBV as at 31 December 2014 RM'000	Market value as at 16 March 2015^ RM'000	Revaluation surplus* RM'000	Date of issuance of certificate of fitness / certificate of completion and compliance	Encumbrances
3.	XHTT	Title no. HSM 3731, Lot PTD 107511, Mukim of Senai, District of Kulaijaya, State of Johor Darul Takzim PTD 107511, Jalan Seelong Jaya 13, Kampung Seelong Jaya, 81400 Senai, Johor Darul Takzim	A piece of industrial land erected with a single-storey detached factory with a double-storey office annex, a single-storey open-sided detached factory and other ancillary buildings used as manufacturing and fabrication yard	Freehold	348,480 / 50,494	13,809	14,000	191[(a)]	29 April 2014	Charged to Public Bank Berhad[(c)]
4.	XHTT	Title no. GM 586, Lot 1823, Mukim of Tebrau, District of Johor Bahru, State of Johor Darul Takzim Sited along Jalan Permatang 1, off the Pasir Gudang Highway, Kempas Baru, 81200 Johor Bahru, Johor Darul Takzim	A piece of vacant agricultural land	Freehold	137,780	3,300	3,300	-[(a)]	Not applicable	Charged to CIMB Islamic Bank Berhad

No.	Registered owner	Title / Location	Description / Existing use	Tenure	Land area / Gross floor area sq. ft.	Audited NBV as at 31 December 2014 RM'000	Market value as at 16 March 2015^ RM'000	Revaluation surplus* RM'000	Date of issuance of certificate of fitness / certificate of completion and compliance	Encumbrances
5.	XHTT	PLO 823, Zone 12C, Pasir Gudang Industrial Area, Mukim of Plentong, District of Johor Bahru, State of Johor Darul Takzim	A piece of vacant industrial land	Leasehold expiring on 30 November 2074	362,898	10,942	Not applieable[(d)]	Not applicable[(d)]	Not applicable	Charged to CIMB Bank Berhad

Notes:

^ The Independent Valuer had condueted valuations and updated valuations on the properties on 31 Deeember 2013 and 16 Mareh 2015 respectively.

* The revaluation surplus based on the market value of the properties as appraised by the Independent Valuer on 31 December 2013 has been incorporated in the financial statements of the Group for the FYE 31 Deeember 2013 whereas the revaluation surplus based on the market value of the properties as appraised by the Independent Valuer on 16 March 2015 has not been incorporated in the finaneial statements of the Group for the FYE 31 December 2014.

(a) Computed based on the market value as at 16 Mareh 2015 minus the net book value as at 31 Deeember 2014.

(b) It should be noted that a single-storey detaehed cabin offiee and a guard house whieh is granted with a temporary permit for oeeupation is ereeted on the industrial land and currently used as branch office and parking yard. XHTT will continue to renew the temporary permit for occupation upon its expiry. However, the Independent Valuer had disregarded the values of the cabin offiee and guard house for valuation purpose.

(c) It should be noted that PIVB is a wholly-owned subsidiary of Publie Bank Berhad. Public Bank Berhad, has in its ordinary eourse of business, granted eredit faeilities to our Group. Notwithstanding that, PIVB is of the view that the aforementioned extension of credit facilities does not result in a conflict of interest situation as the total credit facilities granted to our Group are not material when compared to the net assets of Public Bank Berhad as at 31 Deecmber 2014.

(d) No valuation was conducted on the industrial land as the purehase of the land at the purehase price of RM10,908,556 was eompleted on 22 May 2014 .

None of the existing use of the abovementioned properties breached any laws, regulations, rules and requirements in relation to land and buildings.

6.18.2 Properties Rented by Our Group

The summary of the information on properties rented by our Group as at the LPD are set out below:

No.	Tenant	Landlord	Location	Description / Existing use	Approximate rented area sq. ft.	Rental payable per annum RM	Tenure of tenancy
1.	XHTT	Damai Estate Sdn Bhd	No. 8, Jalan Gemilang 1, Taman Perindustrian Maju Jaya, 81300 Skudai, Johor Darul Takzim	A single-storey detached building used as warehouse	60,600	618,120	16.06.2013 to 15.06.2015
2.	XHTT	Johor Port Berhad	Internal Haulage Yard, Johor Port, 81700 Johor Bahru, Johor Darul Takzim	A space for the placement of a 40' double decker container cabin used as site office	1,200	10,800	01.07.2014 to 30.06.2016
3.	XHTT	Johor Port Berhad	Internal Haulage Yard, Johor Port, 81700 Johor Bahru, Johor Darul Takzim	A space for the placement of a 40' container cabin used as site office	600	10,800	01.06.2014 to 31.05.2016
4.	XHTT	Johor Port Berhad	CTE Workshop, Johor Port, 81700 Johor Bahru, Johor Darul Takzim	A space for the placement of a 30' container cabin used as site office and workshop	3,738	24,000	01.06.2014 to 31.05.2016
5.	XHTT	Hashim Bin Sibelik	No. 47-47A, Jalan Perigi Nanas 8/3, Taman Perindustrian Pulau Indah, 42920 Pulau Indah, Selangor Darul Ehsan	A two-storey shop lot used as office and workshop	1,648	24,000	01.04.2015 to 31.03.2016
6.	XHTT	TC Boy Marketing Sdn Bhd	No. 10, Jalan Perda Timur, Bandar Perda, 14000 Bukit Mertajam, Pulau Pinang	A two-storey shop lot used as office	3,600	38,400	01.11.2014 to 31.10.2016

No.	Tenant	Landlord	Location	Description / Existing use	Approximate rented area sq. ft.	Rental payable per annum RM	Tenure of tenancy
7.	XHTT	Muhammad Zahran Bin Hassan	No. 10, Lot 531-9, Kampung Pekajang, Jalan Tanjung Kupang. 81550 Gelang Patah. Johor Darul Takzim	A single-storey terrace house used as hostel	1,200	8,400	01.02.2015 to 31.01.2016
8.	XHTT	Norhayati Binti Abdul Rahman	No. 99, Kampung Pok, Paya Mengkuang, 81560 Gelang Patah, Johor Darul Takzim	A single-storey terrace house used as hostel	2,520	11,400	01.02.2015 to 31.01.2016
9.	XHTT	Majujaya Wira Sdn Bhd	02-03 Block C3, Pangsapuri Seri Mengkuang, Taman Paya Mengkuang, 81560 Nusajaya, Johor Darul Takzim	Apartment used as hostel	2,100	13,200	01.05.2015 to 30.04.2016
10.	XHTT	Majujaya Wira Sdn Bhd	02-04 Block C3, Pangsapuri Seri Mengkuang, Taman Paya Mengkuang, 81560 Nusajaya, Johor Darul Takzim	Apartment used as hostel	2,100	13,200	01.05.2015 to 30.04.2016
11.	XHTT	Majlis Perbandaran Pasir Gudang	No. 28, Block 13, Rumah Pangsa Taman Cendana, 81700 Pasir Gudang, Johor Darul Takzim	Apartment used as hostel	960	5,400	15.09.2014 to 14.09.2016
12.	XHTT	Looi Kok So	No. 505, Capri Park, Jalan Capri, 12000 Butterworth, Pulau Pinang	Apartment used as hostel	850	9,600	10.11.2014 to 09.11.2015

No.	Tenant	Landlord	Location	Description / Existing use	Approximate rented area sq. ft.	Rental payable per annum RM	Tenure of tenancy
13.	XHTT	Tan Hiang Boey and Cheah Seok Hua	31, Lorong Limbungan Indah 3, Taman Limbungan Indah, Off Jalan Chain Ferry, 12100 Butterworth, Pulau Pinang	A double-storey terrace house used as hostel	3,000	14,400	15.02.2015 to 14.02.2016
14.	XHTT	Ong Boon Choon	41, Lorong Limbungan Indah 3, Taman Limbungan Indah, 12100 Butterworth, Pulau Pinang	A double-storey terrace house used as hostel	3,000	14,400	01.03.2015 to 28.02.2016
15.	XHTT	Nordin Bin Zainal	No. 15, Jalan Desa Dahlia 2/6, Taman Desa Dahlia, 70450 Seremban, Negeri Sembilan Darul Khusus	A single-storey terrace house used as hostel	1,400	7,200	21.08.2014 to 20.08.2015
16.	XHTT	Husin Bin Ibrahim	K-3108, Tingkat Atas, Taman Geliga Sakti, Jalan Kuantan-Kemaman, 24000 Kemaman, Terengganu Darul Iman	A two-storey shop lot used as office	3,790	18,000	01.04.2015 to 31.03.2016

None of the existing use of the abovementioned properties breached any laws, regulations, rules and requirements in relation to land and buildings.

6.18.3 Plant and Equipment

As at 31 December 2014, the material plant and equipment used and owned by our Group are as follows:

Plant and equipment	No. of units	NBV as at 31 December 2014 RM'000
Trucks	35	518
Prime movers	421	10,060
Trailers	680	10,987
Total	**1,136**	**21,565**

Save as disclosed above, all other plant and equipment of our Group are individually immaterial to the operations of our Group to be disclosed separately. Our Directors are of the opinion that our Group has sufficient capacity to carry our operations, the details of which are set out in Section 6.3 of this Prospectus.

6.18.4 Material Capital Expenditures and Divestitures

Save as disclosed below, there is no other material capital expenditure incurred by our Group for the past four (4) financial years up to the FYE 31 December 2014 and up to the LPD:

	<---------- FYE 31 December ---------->				As at the LPD
	2011	2012	2013	2014	
	RM'000	RM'000	RM'000	RM'000	RM'000
Freehold land	1,882	4,901	344	265	-
Leasehold land	-	-	-	10,957	-
Building and warehouse	7,022	2,416	46	7,299	101
Fixtures and fittings and office equipment	229	548	654	1,524	182
Trucks, prime movers and trailers	4,724	7,514	7,150	6,491	1,764
Motor vehicles	1,581	430	625	430	-
Renovation	-	49	99	297	-
Assets under construction	-	-	5,829	6,428	8,184
Total	**15,438**	**15,858**	**14,747**	**33,691**	**10,231**

The material capital expenditures were primarily financed by a combination of bank borrowings and internally generated funds.

Capital expenditure incurred for freehold land for the FYE 31 December 2011 mainly related to the acquisition of a piece of land located in Kota Tinggi, Johor Darul Takzim which was disposed in 2012.

Capital expenditure incurred for freehold land for the FYE 31 December 2012 and assets under construction for the FYE 31 December 2013 mainly related to the acquisition of the land and construction costs for our manufacturing, fabrication and maintenance centre located in Senai, Johor Darul Takzim.

Capital expenditure incurred for leasehold land for the FYE 31 December 2014 and assets under construction for the FYE 31 December 2014 and as at the LPD mainly related to the acquisition of the land and construction costs for our new warehouse located in Pasir Gudang, Johor Darul Takzim.

Capital expenditure incurred for building and warehouse for the FYE 31 December 2011, FYE 31 December 2012 and FYE 31 December 2013 mainly related to the construction costs for the expansion of our warehouse located in Johor Bahru, Johor Darul Takzim whereas capital expenditure incurred for building and warehouse for the FYE 31 December 2014 mainly related to the construction costs for our manufacturing, fabrication and maintenance centre located in Senai, Johor Darul Takzim which was completed in 2014.

Capital expenditure incurred for trucks, prime movers and trailers mainly related to acquisition of additional vehicles for our business operations.

Save as disclosed below, there are no other material capital divestitures made by our Group for the past four (4) financial years up to the FYE 31 December 2014 and up to the LPD:

	<---------- FYE 31 December ---------->				As at the LPD
	2011	2012	2013	2014	
	RM'000	RM'000	RM'000	RM'000	RM'000
Fixtures and fittings and office equipment	-	-	-	4	109
Trucks, prime movers and trailers	494	1,033	107	-	17
Machinery	-	50	-	-	-
Motor vehicles	43	75	-	-	-
Total	**537**	**1,158**	**107**	**4**	**126**

Capital divestitures for trucks, prime movers and trailers for the FYE 31 December 2011 mainly related to the disposal of two (2) units of prime movers and eleven (11) units of trailers.

Capital divestitures for trucks, prime movers and trailers for the FYE 31 December 2012 mainly related to the disposal of twenty one (21) units of trucks, four (4) units of prime movers and twenty two (22) units of trailers.

Capital divestitures for trucks, prime movers and trailers for the FYE 31 December 2013 mainly related to the disposal of one (1) unit of truck and four (4) units of trailers.

6.18.5 Material Plans to Construct, Expand or Improve Facilities

As at the LPD, our Group has no immediate plans to construct, expand or improve on existing facilities, save for the following:

Description	Estimated expenditure amount RM'000	Amount already paid as at the LPD RM'000	Method of financing	Estimate timeframe for completion from the LPD	Estimated increase in capacity after completion
Construction of a new warehouse	19,000	12,356	Utilisation of IPO proceeds and bank borrowings	Within three (3) months	Approximately 220,000 sq. ft. of warehouse space

6.19 Regulatory Requirements and Environmental Issues

The main laws and regulations governing our Group's business are summarised below. The summary does not purport to be an exhaustive description of all the relevant laws and regulations of which our Group's business operations are subject to.

6.19.1 Land Transport Operations

The operation of our trucks, prime movers and trailers are governed by the Road Transport Act 1987 ("**RTA**") and Land Public Transport Act 2010 ("**LPTA**").

Under the RTA, our Group is required to register our motor vehicles including trucks, prime movers and trailers in order for the motor vehicles to be used on public roads.

The Land Public Transport Commission, via the authority granted by the LPTA, controls the issuance of licences for operation of trucks, prime movers and trailers in Peninsular Malaysia. Under the LPTA, our Group will be required to apply for an operator's licence to operate or provide a goods vehicles service using a class of goods vehicles for the carriage of goods for hire or reward or for or in connection with any trade or business.

6.19.2 Freight Forwarding and Customs Brokerage Services

The Customs Act 1967 governs freight forwarding and customs brokerage services carried on by the agents of our Group. Pursuant to Section 90 of the Customs Act 1967, our Group is required to submit application for our agents to the Royal Malaysian Customs for permission to act as an agent for transacting business relating to the import or export of any goods or which shall be considered by a senior officer of customs who may give such permission subject to such terms and conditions as he may deem fit to impose.

In order to qualify for the forwarding agent licence as mentioned above, the applicant must satisfy an equity requirement of at least fifty one percent (51%) bumiputera participation on share capital, management and employees within the company.

6.19.3 Environmental Regulations

Our Group's business is subject to Malaysian environmental regulations, in particular, the Environmental Quality Act 1974 ("**EQA**"). The Department of Environment is responsible for implementing and monitoring compliance with the provisions of the EQA. Our Group is required to adhere to Environmental Quality (Control of Emission from Diesel Engines) Regulations 1996 as a fleet operator operating vehicles powered by diesel.

6.19.4 Occupational Safety and Health

The Occupational Safety and Health Act 1994 ("**OSHA**") provides a legislative framework to promote standards for safety and health at work. Pursuant to the provisions contained in the OSHA, our Group has a duty to ensure, so far as is practicable, the safety, health and welfare at work of our employees. The matters to which the duty extends include the making of arrangements for ensuring, so far as is practicable, safety and absence of risks to health in connection with the use or operation, handling, storage and transport of plant and substances as well as the provision of such information, instruction, training and supervision as is necessary to ensure, so far as is practicable, the safety and health at work of our employees.

As at the LPD, our Group has complied with all material regulatory requirements and environmental issues which may materially affect our Group's operations and / or utilisation of assets. In addition, there are no environmental proceedings or investigations to which we are or might become a party to as at the LPD.

6.20 Seasonality

Generally, our Group's business is not affected by seasonal factors. However, we do experience lower sales during festive seasons due to regulations which limit the transportation of non-necessity goods during the festive seasons.

6.21 Interruptions in Business

Our Group has not experienced any interruption in our business activities which had a significant effect on our operations during the past twelve (12) months up to the LPD.

6.22 Future Plans, Strategies and Prospects

6.22.1 Future Plans and Strategies

(i) Construction of a New Warehouse

Currently, we provide warehousing facilities at two (2) locations, namely Skudai, Johor Darul Takzim and Johor Bahru, Johor Darul Takzim with a total covered warehouse space of approximately 244,600 sq. ft. In view of the increasing demand for our warehousing services, we intend to construct a new warehouse in Pasir Gudang, Johor Darul Takzim.

Our Group had on 11 February 2014, entered into a sale and purchase agreement with Johor Corporation to acquire a piece of land identified as PLO 823, Zone 12C, Pasir Gudang Industrial Area in the Mukim of Plentong, District of Johor Bahru, State of Johor Darul Takzim with a total purchase consideration of RM10.91 million. In accordance with the terms of the sale and purchase agreement, the said land which has a land area of approximately 362,898 sq. ft. shall be used as the site for logistics and warehousing. This transaction was completed on 22 May 2014.

Subsequent to the completion of the acquisition of land, the construction of the new warehouse with a total estimated gross floor area of approximately 220,000 sq. ft. has commenced on 18 July 2014. As at the LPD, the stage of completion for the construction of the new warehouse is approximately 93.53% and it is estimated to be completed in the second (2nd) quarter of 2015. We expect to obtain the Certificate of Completion and Compliance for the warehouse and commence operations in the third (3rd) quarter of 2015. We intend to utilise RM8.50 million of our proceeds from the Public Issue to fund the estimated cost of construction of approximately RM19.00 million, including the repayment of term loan obtained to part finance the construction of the warehouse.

(ii) Expansion of Our Fleet of Vehicles

As part of our future plans, we intend to expand our land transport operations by increasing our fleet of vehicles. This is in line with the expected increase in our business volume from both existing and new customers.

We intend to acquire approximately 101 units of vehicles in the next twenty four (24) months as follows:

Type of vehicles	No. of units	Average unit cost RM	Total cost RM
Trucks	10	80,000	800,000
Used prime movers			
- For trailers	44	100,000	4,400,000
- For multi axle trailers	1	200,000	200,000
Trailers			
- Trailers	43	60,000	2,580,000
- Multi axle trailers	3	1,125,000	3,375,000
Total	**101**	**N/A**	**11,355,000**

We intend to utilise approximately RM11.36 million of our proceeds from the Public Issue to fund the acquisition of vehicles.

(iii) Setting-Up a New Branch Office in the East Coast of Peninsular Malaysia

As at the LPD, our Group has three (3) branch offices located at the following locations:

- Pasir Gudang, Johor Darul Takzim;
- Pulau Indah, Selangor Darul Ehsan; and
- Bukit Mertajam, Pulau Pinang.

As part of our future plans, we intend to set-up a new branch office in Kemaman, Terengganu Darul Iman.

Currently, we have secured a tenancy in Kemaman, Terengganu Darul Iman and are in the midst of applying for the business licence. We expect to commence our operations at this location in the fourth (4th) quarter of 2015.

We aim to finance the setting up of the new branch office through our internally generated funds.

6.22.2 Prospects of our Group

We are an integrated logistics service provider that is able to provide multiple services across the logistics industry chain. Further, our business operation is supported by our in-house manufacturing, fabrication and maintenance centre and sizeable fleet of vehicles which provide us with the flexibility to customise our logistics services and to undertake small-scale to large-scale projects to cater to our customers' requirements and demands. Our ability to refurbish used prime movers has also enabled us to minimise our cost structure. In addition, our geographical presence in several major ports in Peninsular Malaysia and branch offices in various regions allows us to respond promptly to our customers' requests at different locations. With our Group's emphasis on customer service, we have managed to establish and maintain good business relationships with our customers. Further, our Group is led by an experienced management team that will provide the basis for our Group's continuing growth and success. Further details on our competitive advantages and key strengths are set out in Section 6.1.4 of this Prospectus.

Moving forward, our Group's future plans and strategies will focus on the expansion of our warehousing and distribution operations by constructing and operating a new warehouse in Pasir Gudang, Johor Darul Takzim which will increase our total warehouse space by approximately 220,000 sq. ft. In addition, we will also focus on the expansion of our fleet of vehicles by acquiring approximately 101 units of vehicles to accommodate the increase in our business volume for land transport operations and opening of our fourth (4th) branch office in the east cost of Peninsular Malaysia to expand our market presence. Further details on our future plans and strategies are set out in Section 6.22.1 of this Prospectus.

According to the IMR Report, the road transport market within the logistics industry in Malaysia is valued at RM29.93 billion in 2014 and is expected to grow at a CAGR of 4.52% for the 2014 to 2019 period. The market size of the road transport market within the logistics industry in Malaysia is expected to reach RM37.33 billion in 2019. Further details on the industry prospects and outlook are set out in Section 7 of this Prospectus.

Our Directors believe that the prospects of our Group are favourable given the competitive advantages and key strengths of our Group as well as the continued expansion of our Group's capacity through our future plans which would provide us with the platform to grow and sustain our business amidst the favourable outlook of the logistics industry in Malaysia.

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21 April 2015

The Board of Directors
Xin Hwa Holdings Berhad
No.2, Jalan Permatang 2
Kempas Baru
81200 Johor Bahru

Dear Sirs/Madams,

Executive Summary of the Strategic Analysis of the Logistics Industry in Malaysia

This Executive Summary of the 'Strategic Analysis of the Logistics Industry in Malaysia' is prepared by Protégé Associates Sdn. Bhd. ("Protégé Associates") for inclusion in the prospectus of Xin Hwa Holdings Berhad ("XHH") to the Securities Commission Malaysia in relation to its proposed listing on the Official List of Bursa Malaysia Securities Berhad.

1.0 Malaysia Economic Overview

The Malaysian economy registered a strong finish in 2014. It expanded at a faster pace of 6.0 percent in 2014 on the back of continued expansion in domestic demand and an improvement in external trade performance. Despite the positive results revealed in most of Malaysia's key economic indicators for 2014, the Malaysian Government is mindful of a potentially continuing weak energy and commodity prices which may be a major economic headwind for the local economy. In the near future, the growth in the Malaysian economy is expected to be anchored again by domestic demand. The Malaysian economy is expected to grow by between 4.5 to 5.5 percent in 2015.

2.0 An Introduction to the Logistics Industry

Logistics is widely known as the act of managing the efficient and cost effective flow and storage of goods (such as raw materials, in-process stocks and finished goods) and related information from the point of origin to the point of consumption for customers covering inbound, outbound, internal and external movements as well as reverse product flows.

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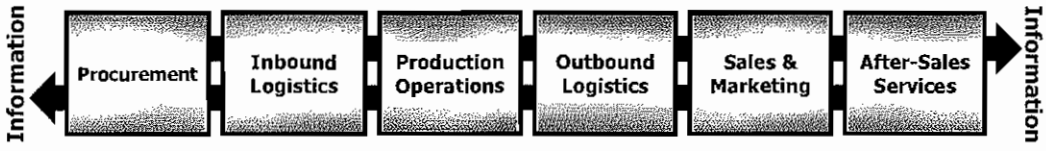
Logistics services can be divided into physical and non-physical activities. Physical activities mainly comprise transport and storage activities while non-physical activities consist of activities such as designing supply chain, selecting contractors and negotiating on freightage. There are various activities involved in the logistics process flow namely procurement, inbound logistics, production operations, outbound logistics, sales and marketing and after-sales services.

Figure 1: Activities in the Logistics Process Flow



Source: Protégé Associates

1) Procurement

This scope involves the acquisition of inputs or raw materials. Logistics service providers may be involved in activities such as sourcing for vendors and gathering relevant information on the location of vendor.

2) Inbound logistics

The handling and delivery of goods from the raw material suppliers to the production facility are covered under this scope. Logistics service providers may be involved in activities such as handling and consolidating goods, selecting transport mode and carrier, warehousing as well as securing customs clearance at ports.

3) Production operations

Logistics service providers may also be required to undertake certain production operations such as packaging and inventory management.

4) Outbound logistics

The handling and delivery of goods from the production facility to the distribution networks or end-users are covered under this scope. Like inbound logistics, outbound logistics also involves the handling and consolidation of goods, selection of transport mode and carrier and warehousing. In addition, logistics service providers may also be involved in other activities such as designing the distribution network.

5) Sales and marketing

Under this scope, logistics service providers may be involved in activities such as account management as well as credit processing and invoicing.

6) After-sales services

They may also be actively involved in activities such as handling returned goods and obtaining feedbacks from customers.

The flow of information in activities of logistics services can also be from the point of destination to the point of origin. This typically occurs in reverse logistics that involves all activities after the point of sale. For example, a defective product under a product warranty period may be sent back to the manufacturer via the distributor – moving in reverse through the supply chain network.

3.0 Market Segmentation

In terms of industry structure, the logistics industry comprises of transport service providers and logistics service providers. Given that XHH, through its subsidiary companies, is primarily involved in cargo (goods or produce transported by a vessel or vehicle) logistics by land, Protégé Associates will provide a write-up on the logistics industry in Malaysia involving cargo focusing mainly on road transport.

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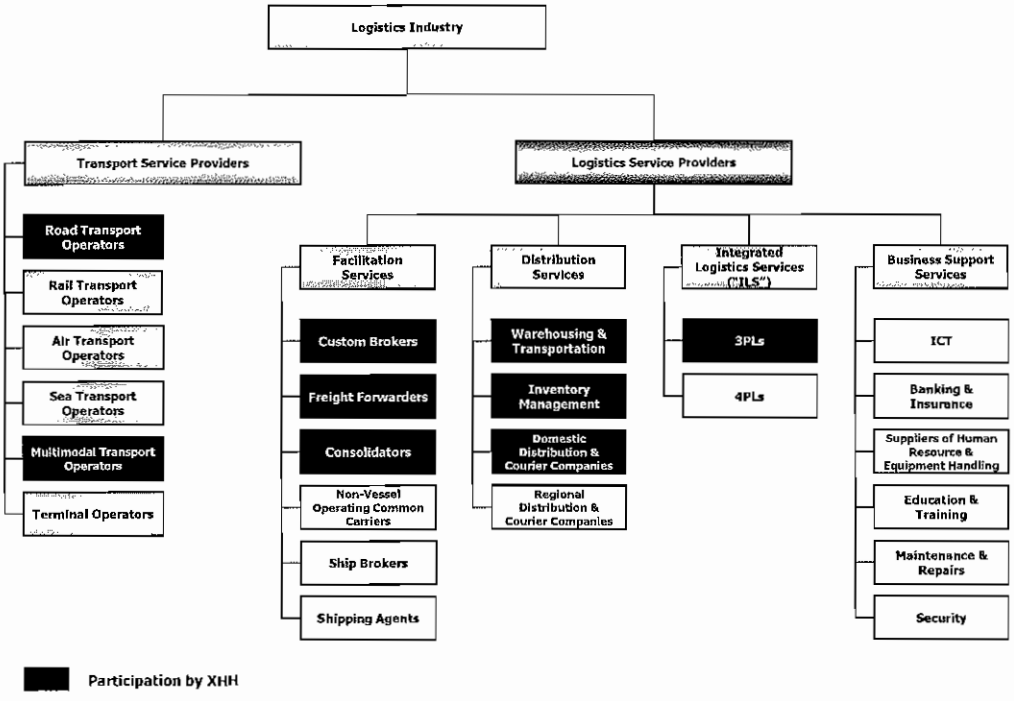
Figure 2: The Industry Structure of the Logistics Industry



Notes:

1) *3PLs denotes third party logistics providers that provide multiple logistics services which are generally integrated or 'bundled' in nature for use by their customers;*
2) *4PLs denotes fourth party logistics providers that are generally established as a separate entity through long-term contract or joint venture between a primary customer and one or more partners to manage all aspects of the customer's supply chain; and*
3) *ICT denotes information and communications technology*

Source: Ministry of International Trade and Industry ("MITI"), XHH and Protégé Associates

1) Transport service providers

The movement of goods across the country and around the world is generally known as cargo transportation. There are various modes of transport and the principal modes of transport are road, rail, air and sea transport. Transport service providers are generally the carriers or providers of these principal transport modes. They consist of the operators of road, rail, air and sea transport, multimodal operators and terminal operators. The decision on the selection of transportation mode is highly dependent on factors such as cost, space availability and urgency.

2) Logistics service providers;

Logistics service providers are often referred to as transport intermediaries. They are providing support to the principal transport modes by offering various types of logistics service, either directly or indirectly. There is a range of services that logistics service providers can provide. The logistics service providers can be categorised according to the type of services provided namely facilitation services, distribution services, integrated logistics services ("ILS") and business support services.

Through its subsidiaries, XHH is a road transport operator involved in the transportation of goods or haulage operations on the road using goods vehicles such as trucks, prime movers and trailers and a logistics service provider that is involved in the provision of facilitation services, distribution services and ILS.

Facilitation service providers are involved in assisting and/or easing the logistical process flows. Examples of facilitation services providers are custom brokers, freight forwarders, consolidators, non-vessel operating common carriers, ship brokers and shipping agents.

Distribution service providers are involved in delivering of goods from the point of origin to the final consumers. The primary activities of distribution services are warehousing, transportation, inventory management and courier services (by domestic and regional distribution and courier companies).

ILS providers act as a 'one-stop centre' for their customers' logistic needs by being involved in various segments across the logistics value chain. 3PLs and 4PLs are typically providers of ILS.

A number of ILS providers have emerged in Malaysia. This group of ILS providers undertakes activities that comprise of freight forwarding, warehousing, transportation and other value added services on an integrated basis along the logistics value chain. XHH is an ILS provider. Malaysian Investment Development Authority ("MIDA") grants tax incentives to companies providing ILS that meet the following criteria:

- Incorporated under the Companies Act, 1965;
- At least 60 percent of its equity is held by Malaysians;
- Provides the following three principal activities:
  - Freight forwarding;
  - Transportation;
  - Warehousing; and
  - At least one of the following activities:
    - Distribution;
    - Other related and value-added services (e.g. bulk breaking, consolidation, labelling/re-labelling, packing/re-packaging, palletising, procurement, product assembly/installation, quality control, testing, etc.); or
    - Supply chain management;
- Should have the following minimum infrastructure:
  - Commercial vehicles: 20 units; and
  - Warehousing facilities: 5,000 square metres ("m^2")

As of 31 December 2014, a total of 58 companies had been granted the ILS incentives.

A logistics company that provides integrated and door-to-door logistics services along the logistics value chain as a single entity on a regional or global scale is granted by the Malaysian Government an international ILS ("IILS") status that allows it to expand its activities to Association of Southeast Asian Nations ("ASEAN") countries. A qualified logistics company with the IILS status will be issued with a Customs Agent Licence.

The IILS status is granted by MIDA to a locally incorporated company with the following conditions:

- Provides the following three principal activities:
  - Freight forwarding, including customs clearance;
  - Transportation;
  - Warehousing; and
  - At least one of the following activities:
    - Distribution;
    - Other related and value-added services/activities; or
    - Supply chain management;
- Manage at least:
  - 20 units of commercial vehicles; and
  - 5,000 m^2 of warehouse space;
- Employ majority Malaysians and preference must be given to local professionals;
- Use Malaysia as a hub for logistics supply chain services in the region;
- Have good networks with logistics service providers abroad in order to provide seamless ILS for the regional market;
- Substantial usage of ICT infrastructure throughout the logistics chain and value-added activities; and
- Compulsory attendance of Customs Agent course conducted by the Royal Malaysian Customs Department ("RMCD") (staff who have attended this course are exempted from this requirement)

As such, Protégé Associates is of the opinion that IILS Status companies have a wider geographical presence as compared to logistics companies that focus more on the Malaysian market such as XHH.

The logistics industry provides crucial business support to many end-user markets. Any end-user market that requires storage capacity as well as the handling and movement of goods from one point to another from the point of origin to the point of consumption generally requires transport and logistics services. Given its role as an important enabler of trade, it is not surprising that there are numerous and diverse end-user markets for the logistics industry. The end-user markets for the logistics industry include but are not limited to agriculture, food and beverage, construction, electrical and electronics ("E&E"), furniture, medical devices, oil and gas, plastic products, steel products, telecommunications and toys.

4.0 Market Dynamics Scorecard for the Logistics Industry in Malaysia

Indicator	Measurement
2014 Estimated Industry Size (Industry Revenue)	RM148.82 billion
2014 Estimated Industry Growth Rate	11.2%
2019 Forecast Industry Size (Industry Revenue)	RM253.21 billion
Forecast Period (2014-2019) Industry Compound Annual Growth Rate ("CAGR")	11.2%
2014 Estimated Number of Industry Players	There are a total of more than 12,000 logistics industry players in Malaysia. Around 7,700 logistics industry players are directly involved in cargo transport by road.
2015 Demand Conditions	• On-going Implementation of Government Initiatives • Expansion in the Global and Local Economies • Changing Structure of Malaysia's Exports • A Very Broad Range of End-user Markets • The Growing Prominence of E-commerce
2015 Supply Conditions	• Encouraging Support from the Malaysian Government • A Strategic Logistics Hub with Business Friendly Logistics Ecosystem • Positive Developments in ICT Help to Support Growth • Weaker Oil Prices Ease Pressure on Cost of Operations • Intense Price Competition • Challenging Environment for the Hiring of Goods Vehicle Drivers and Relatively Low-Skilled Workers

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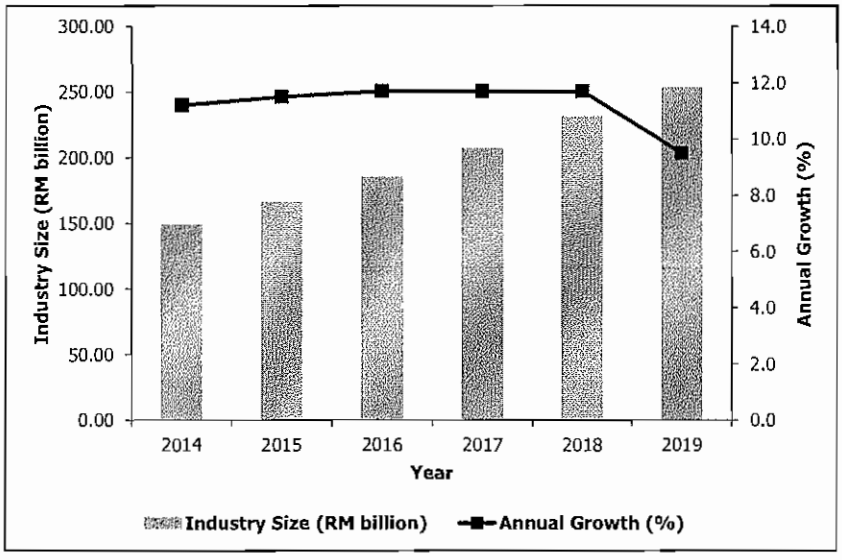
Indicator	Measurement
	• Vulnerability to Meteorological Changes and Natural Disasters • Vulnerability of Transportation Terminal Operations to Workers' Rights Activism, Strikes and Protests

Source: Protégé Associates

5.0 Historical Performance and Growth Forecast of the Logistics Industry in Malaysia

The logistics industry in Malaysia entered 2015 on a stronger footing as it managed to register a double digit growth for 2014. The logistics industry in Malaysia expanded by an estimated 11.2 percent from RM133.83 billion in 2013 to RM148.82 billion in 2014. The growth in the local logistics industry was largely attributed to the continuing expansion in the global and local economies. The growth in Malaysia's trade volume has also led to a rise in demand for transport and logistics services.

Figure 3: Historical, Estimated and Forecast Industry Size (Industry Revenue) of the Logistics Industry in Malaysia, 2014-2019



Notes:

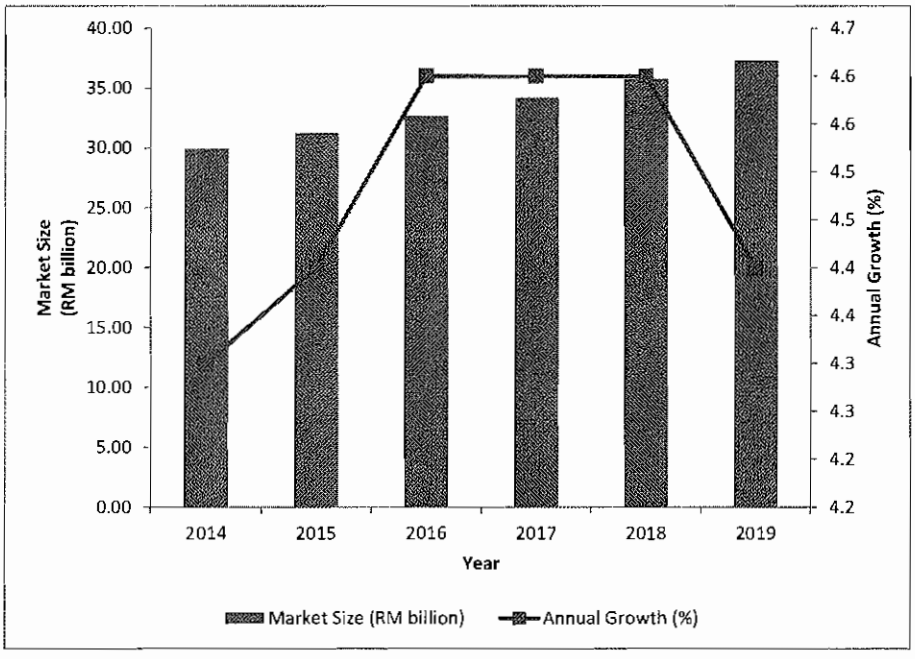
1) *CAGR (2014-2019) = 11.2 percent*
2) *The base year is 2014*

Source: Protégé Associates

The logistics industry in Malaysia is expected to continue registering a double digit growth throughout the forecast period from 2015 to 2018. In 2019, it is expected to register a slower pace in growth of 9.5 percent on the back of expected slower demand for transport and logistics services. The logistics industry in Malaysia is expected to receive further boost from the expected growth in Malaysia's external trade which can help to spur import-export forwarding, shipping and air cargo related business. In addition, the continuing rolled-out of capital intensive projects under the Economic Transformation Programme ("ETP") is also expected to drive the growth in the logistics industry in Malaysia. The industry is projected to expand from RM148.82 billion in 2014 to RM253.21 billion in 2019 and register a CAGR of 11.2 percent.

On a closer look at the road transport market within the logistics industry in Malaysia, the market grew by 4.3 percent to reach RM29.93 billion in 2014 as the expanding local economy has helped to drive the demand for road transport. Moving forward, the market size (market revenue) of the road transport market in Malaysia is expected to expand from RM29.93 billion in 2014 to RM37.33 billion in 2019 and register a CAGR of 4.5 percent.

Figure 4: Historical, Estimated and Forecast Market Size (Market Revenue) of the Road Transport Market in Malaysia, 2014-2019



Notes:

1) *CAGR (2014-2019) = 4.5 percent*
2) *The base year is 2014*

Source: Protégé Associates

The Malaysian Government's commitment and willingness to encourage and promote heavy investments in key land infrastructures, most notably the North-South Expressway ("NSE"), has provided crucial impetus for the growth of road transport in Malaysia. Other notable land infrastructures in Malaysia include the East Coast Expressway ("ECE") and the Pan Borneo Highway. The ECE, which runs from Karak, Pahang to Kuala Terengganu, Terengganu, plays a major role in linking the West Coast to the East Coast of Peninsular Malaysia while the Pan Borneo Highway is a road network on Borneo Island that connects Sabah and Sarawak with Brunei. Due to their links to many major cities and towns all over Malaysia, these land infrastructures have helped to promote internal road transportation and regional integration. It facilitates the active movements of goods.

The number of new registered goods vehicles increased from 40,742 units in 2012 to 40,765 units in 2013. In the first three quarters of 2014, the total number of new registered goods vehicles stood at 31,957 units. The goods vehicles consist amongst others, vans, rigid lorries, rigid tanker lorries, tippers or dumpers, prime movers, semi-trailers and trailers. Total goods vehicles increased from 1,032,004 units in 2012 to 1,116,167 units in 2013. As of 30 September 2014, total goods vehicles in Malaysia stood at 1,148,308 units. This development augurs well for the prospect of the road transport market in Malaysia.

6.0 Competitive Landscape of the Logistics Industry in Malaysia

The logistics industry in Malaysia is highly fragmented with the estimated presence of more than 12,000 industry players that are involved in various scopes of logistics activities in 2014. Logistics industry players in Malaysia are generally concentrated in key logistics spots such as:

- Johor (Pasir Gudang, Port of Tanjung Pelepas, Senai)
- Labuan;
- Malacca;
- Negeri Sembilan (Nilai);
- Pahang (Kuantan);
- Penang;
- Sabah (Kota Kinabalu);
- Sarawak (Bintulu, Kuching, Miri);
- Selangor (Kuala Lumpur International Airport ("KLIA"), Port Klang, Shah Alam); and

- Terengganu (Kemaman).

The logistics industry players in Malaysia can be distinctly divided into three types namely listed local, non-listed local and foreign-owned industry players.

1) Listed local logistics industry players;

This group refers to local logistics industry players which are currently public listed companies. They are typically well-capitalised companies and generally have more financial resources than their unlisted local counterparts. This group of logistics industry players generally strives to leverage on their financial strength to further expand their existing logistics capability, capacity, infrastructure, fleets, workforce and/or range of service offerings. They are also likely to be more willing to make investment in technology that can improve productivity and cost efficiency.

Their level of service offerings are likely more integrated with the involvement in many activities across the industry value chain. With their relatively high logistics capability and capacity, they are in a good position to service many different end-user markets. Besides that, they also generally have a strong presence in Malaysia through their various offices established in key logistics spots across the Peninsular Malaysia and/or East Malaysia. This enables them to reach out and provides services to a larger geographical area. Due to their listing status, they enjoy a higher corporate profile as compared to their non-listed local counterparts.

Among some of the known listed local logistic industry players are Century Logistics Holdings Berhad ("Century Logistics"), Harbour-Link Group Berhad, Integrated Logistics Berhad, NCB Holdings Berhad, See Hup Consolidated Berhad, Tiong Nam Logistics Holdings Berhad ("Tiong Nam"), Transocean Holdings Berhad and Yinson Holdings Berhad.

2) Non-listed local logistics industry players; and

This group is considered to be the most fragmented in the local logistics industry. There are quite a number of established industry players in this group which have comparable logistics infrastructure and fleet size as well as being capable of offering ILS albeit at an operating scale which may not be as large as those undertaken by their listed local counterparts. However, the majority from this group of industry players generally owned fewer assets, have a smaller workforce and have a lower corporate profile.

Non-listed local logistics industry players generally embark on a niche business strategy that can optimise their growth potential with their relatively small resources. They are likely to be more selective in the scope of logistics activities that they want to participate in and target a specific geographical area. Besides that, they generally have a high degree of customer focus and rely heavily on their deep local knowledge to stay competitive.

Among some of the known non-listed local logistics industry player are Click Logistic Sdn Bhd, E.H. Utara Holdings Sdn Bhd, Interway Transport Sdn Bhd ("Interway Transport"), Lee Ting San Lorry Transport Sdn Bhd, PKT Logistics Group Sdn Bhd, Tanjong Express (M) Sdn Bhd ("Tanjong Express"), Tri-Mode System (M) Sdn Bhd and XHH.

3) Foreign-owned logistics industry players

This group refers to logistics industry players in Malaysia which are majority-owned by foreigners. Foreign-owned logistics industry players are generally the extension or Malaysia's business arm of established multinational parent logistics industry players. As such, they are able to ride on the logistical experience and expertise of their respective parent companies to accelerate their industry learning curve. They also seem to be able to generate business leads from the local business arm of their parent company's customers. However, the scope and scale of their logistics operations are very much subject to the internal business strategy deployed by their respective parent company. Their logistics capability, capacity and infrastructure generally vary from one to another depending on the intended strategy.

Among some of the known foreign-owned logistics industry player are CEVA Freight Holdings (Malaysia) Sdn Bhd, DHL Global Forwarding (Malaysia) Sdn Bhd, FPS Famous Pacific Shipping Sdn Bhd, Hankyu Hanshin Express (M) Sdn Bhd and Menlo Worldwide (Malaysia) Sdn Bhd.

Protégé Associates has also provided a closer look at the level of fragmentation involving logistics industry players in Malaysia that are competing with XHH in terms of cargo transport by road, storage and warehousing services as well as shipping and forwarding agencies services. [Note: 'shipping and forwarding agencies' refer to freight forwarding and brokerage services (including custom house brokerage); ship brokerage services including ship leasing brokers, packing, crating, inspecting, sampling and weighting services to shippers of shipping organisations; and care of animals pending transport] It was estimated that there were around 7,700 industry players in Malaysia that were involved in cargo transport by road in 2014 with an estimated 15 percent of them based in Johor. Logistics industry players involved in cargo transport by road were mainly individual proprietorships and private limited companies. There were estimated to be around 250 logistics industry players in Malaysia that were involved in the provision of storage and warehousing services in 2014 with an estimated 5 percent of them based in Johor. These logistics industry players were mainly private limited companies. The value of fixed assets owned by these logistics industry players as at end of 2014 was estimated to be more than RM1.60 billion.

Lastly, the number of logistics industry players in Malaysia involved in shipping and forwarding agencies services in 2014 was estimated to be around 1,500. It was estimated that around 15 percent of them were operating in Johor. These logistics industry players were mainly private limited companies.

XHH was incorporated as a private limited company under the Companies Act, 1965 with the Companies Commission of Malaysia on 18 January 2013. It was subsequently converted to a public limited company on 26 June 2013. XHH is an investment holding company and is engaged in the provision of management services. Through its subsidiaries, it is an ILS provider involved in land transport operations, warehousing and distribution operations and other services. Its land transport operations incorporate cargo transportation services and container haulage services whereas other services incorporate freight forwarding and customs brokerage services as well as manufacturing and fabrication of trailers. For the financial year ended 31 December 2014, XHH recorded revenue of RM110.6 million and profit before tax of RM18.4 million.

Protégé Associates has used the following criteria when selecting industry players for comparison with XHH:

- Has a business premise or establishment (example gratia ("e.g.") office/warehouse) in Johor;
- Registered revenue of RM50 million and above;
- Involved in the provision of road transport; and
- Involved in the provision of warehousing services;

After taking into consideration the above criteria, Protégé Associates has selected five industry players namely Century Logistics, Interway Transport, Konsortium Logistik Bhd ("Konsortium Logistik"), Tanjong Express and Tiong Nam.

1) Century Logistics

Century Logistics is currently listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). It is recognised as an ILS provider by MITI and the Ministry of Finance ("MOF"). It is principally an investment holding company. Services offered by the subsidiary companies of Century Logistics include halal logistics services, integrated logistics management, international freight forwarding, oil and gas logistics, procurement logistics services, project logistics and tax exemption consultancy, shipping, chartering and bunker services, supply chain management, transport management and distribution as well as warehouse management services.

For the financial year ended 31 December 2014, Century Logistics recorded revenue of RM275.2 million and profit before tax of RM42.4 million.

2) Interway Transport

Interway Transport was registered as a private limited company with the Companies Commission of Malaysia on 15 November 1975. It is involved in the provision of transportation services.

For the financial year ended 31 December 2013, Interway Transport recorded revenue of RM63.4 million and profit before tax of RM6.8 million.

3) Konsortium Logistik

Konsortium Logistik and its subsidiary companies ("Konsortium Logistik Group") is principally engaged in the provision of total logistics services and inventory solutions, which include the provision of container haulage services, bulk liquid distribution services, inland container depot services, freight forwarding, shipping agency and chartering services, warehousing and distribution services as well as insurance agency.

For the financial year ended 31 March 2014, Konsortium Logistik recorded revenue of RM347.2 million and loss before tax of RM32.0 million.

4) Tanjong Express

Tanjong Express was registered as a private limited company with the Companies Commission of Malaysia on 22 July 1991. It is involved in the provision of transportation services and hire of lorries.

For the financial year ended 31 December 2013, Tanjong Express recorded revenue of RM98.3 million and profit before tax of RM5.3 million.

5) Tiong Nam

Tiong Nam is currently listed on the Main Market of Bursa Malaysia Securities Berhad. It is an investment holding company. Services offered by its subsidiary companies include letting and trading of diesel and petrol, letting of forklift and trucks, management of cold room storage and distribution services, courier and related services, property letting and property development as well as transportation, distribution, warehousing and related services.

For the financial year ended 31 March 2014, Tiong Nam recorded revenue of RM345.3 million (from services rendered) and profit before tax of RM54.2 million (from logistics and warehousing services segment).

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6.1 Estimated XHH's Market Share

The revenue generated by XHH for the financial year ended 31 December 2013 was RM97.9 million which is equivalent to 0.07 percent of the estimated industry size (industry revenue) of the logistics industry in Malaysia in 2013. The market share is derived from dividing XHH's revenue of RM97.9 million for the financial year ended 31 December 2013 with the industry size (industry revenue) of the logistics industry in Malaysia in 2013 which stood at RM133.83 billion. The estimated market share of the five industry players selected for comparison ranges from 0.05 percent to 0.23 percent – further reflecting the fragmented nature of the industry.

Figure 5: Estimated Market Share of Selected Industry Players in the Logistics Industry in Malaysia, 2013

Company Name	Financial Year Ended	Revenue (RM million)	Market Share (%)
Century Logistics	31-12-2013	255.8	0.19
Interway Transport	31-12-2013	63.4	0.05
Tanjong Express	31-12-2013	98.3	0.07
Tiong Nam	31-03-2013	308.0*	0.23
XHH	**31-12-2013**	**97.9**	**0.07**

Notes:

** Revenue generated from services rendered*

1) The list of selected industry players above is not exhaustive

2) The above market shares only provide an indication and are not considered directly comparable due to the following reasons:

a) The revenue of all industry players are not from the same financial year end

b) The revenue may be at the group level

c) Not all companies carry out activities which are completely similar to each other or in the same geographical area

3) The market share of each industry player is calculated by dividing the revenue of each industry player in the financial year ended 2013 with the size of the logistics industry in Malaysia in 2013 which was RM133.83 billion

4) The next financial year end for Konsortium Logistik after 31 December 2012 was 31 March 2014.

Sources: The annual report of Century Logistics and Tiong Nam, Companies Commission of Malaysia, XHH and Protégé Associates

The revenue generated by XHH for the financial year ended 31 December 2014 was RM110.6 million which is equivalent to 0.07 percent of the estimated industry size (industry revenue) of the logistics industry in Malaysia in 2014. The market share is derived from dividing XHH's revenue of RM110.6 million for the financial year ended 31 December 2014 with the industry

size (industry revenue) of the logistics industry in Malaysia in 2014 which is estimated to be RM148.82 billion.

Figure 6: Estimated Market Share of Selected Industry Players in the Logistics Industry in Malaysia, 2014

Company Name	Financial Year Ended	Revenue (RM million)	Market Share (%)
Century Logistics	31-12-2014	275.2	0.18
Konsortium Logistik	31-03-2014	347.2	0.23
Tiong Nam	31-03-2014	345.3*	0.23
XHH	**31-12-2014**	**110.6**	**0.07**

Notes:

** Revenue generated from services rendered*

1) The list of selected industry players above is not exhaustive

2) The market share of Interway Transport and and Tanjong Express are not provided as their financial figures for the financial year ended 2014 are not yet available

3) The above market shares only provide an indication and are not considered directly comparable due to the following reasons:

a) The revenue of all industry players are not from the same financial year end

b) The revenue may be at the group level

c) Not all companies carry out activities which are completely similar to each other or in the same geographical area

4) The market share of each industry player is calculated by dividing the revenue of each industry player in the financial year ended 2014 with the size of the logistics industry in Malaysia in 2014 which is estimated to be RM148.82 billion.

Sources: The annual report of Century Logistics and Tiong Nam, Companies Commission of Malaysia, XHH and Protégé Associates

XHH's revenue registered for the financial year ended 31 December 2014 is equivalent to 0.37 percent of the estimated market size (market revenue) of the road transport market in Malaysia in 2014. The market share is derived from dividing XHH's revenue of RM110.6 million for the financial year ended 31 December 2014 with the market size (market revenue) of the road transport market in Malaysia in 2014 which is estimated to be RM29.93 billion.

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7.0 Demand and Supply Conditions

Demand and supply conditions refer to market factors that can positively or negatively affect future industry size (industry revenue) and growth by specifically altering demand or supply dynamics. These demand and supply factors can include trends, key developments or events that spur market expansion, leading to increase in sales or revenues, or developments that negatively affect market growth. The following figure depicts the demand and supply conditions affecting the value and growth of the logistics industry in Malaysia and highlighting the impact on the present industry situation in the country.

Figure 7: Demand and Supply Conditions Affecting the Logistics Industry in Malaysia, 2015

Condition	Type	Impact
On-going Implementation of Government Initiatives	Demand	+
Expansion in the Global and Local Economies	Demand	+
Changing Structure of Malaysia's Exports	Demand	+
A Very Broad Range of End-user Markets	Demand	+
The Growing Prominence of E-commerce	Demand	+
Encouraging Support from the Malaysian Government	Supply	+
A Strategic Logistics Hub with Business-friendly Logistics Ecosystem	Supply	+
Positive Developments in ICT Help to Support Growth	Supply	+
Weaker Oil Prices Ease Pressure on Cost of Operations	Supply	+
Intense Price Competition	Supply	-
Challenging Environment for the Hiring of Goods Vehicle Drivers and Relatively Low-skilled Workers	Supply	-
Vulnerability to Meteorological Changes and Natural Disasters	Supply	-
Vulnerability of Transportation Terminal Operations to Workers' Rights Activism, Strikes and Protests	Supply	-

Source: Protégé Associates

7.1 Demand Conditions

On-going Implementation of Government Initiatives

The on-going implementation of several government initiatives such as the Government Transformation Programme ("GTP") and ETP is expected to boost business sentiment, which can provide the impetus for the creation of more opportunities to the local logistics industry and encourage more logistics activities.

Expansion in the Global and Local Economies

Cargo transportation is mostly generated by economic activities and the logistics industry is likely to respond to fluctuations in these activities and the resultant level of trade among nations. Any unfavourable global and local economic conditions may lead to the deterioration of logistics service providers' businesses – leading to the potential delay, cancellation or reduction of plans to transport goods. However, industry players in the Malaysian logistics industry have reasons to be optimistic as both the global and local economies are projected to continue expanding in the near future.

Changing Structure of Malaysia's Exports

As the country continues to evolve from a major commodities exporter to primarily an exporter of manufactured goods, the composition of exports had gradually shifted from agricultural and mining products to manufactured products. It is not surprising that manufactured products remain the largest component of Malaysia's total export as of today. Two notable trends have emerged in Malaysia's export structure since 2000 namely:

a) the gradual move away from a heavy concentration in E&E products exports towards non-E&E manufactured products and commodities; and

b) diversification of Malaysia's export markets.

The two trends are expected to continue during the forecast period and bode well for the growth of the logistics industry in Malaysia as the country's exports are less dependent on any specific product or economy.

A Very Broad Range of End-user Markets

Transport and logistics services are essentially the critical supporting business activities used for the movement of goods among all the stakeholders within an industry supply chain (including the final consumers). As almost every single industry will require storage and/or transportation services, either through a single mode or multimode of transport, it is unsurprising that the logistics industry in Malaysia can look forward to demand from a very broad range of end-user markets. By having a very broad range of end-user markets, the logistics industry in Malaysia is able to mitigate the risk of over-reliance on a single end-user market and stand to have more room for market expansion.

The Growing Prominence of E-commerce

E-commerce has been developing rapidly all across the world including Malaysia. It is becoming more and more common for materials of various kinds to be ordered electronically and primarily, via the Internet under both the business-to-business and business-to-consumer model. The growing prominence of e-commerce has helped to popularise armchair shopping and carve out a new market for stakeholders in the logistics industry.

7.2 Supply Conditions

Encouraging Support from the Malaysian Government

The logistics industry is one of the eight non-government services sub-sectors earmarked for greater development and promotion under the Third Industrial Master Plan ("IMP3") that covers the period from 2006 to 2020. The Malaysian Government has clearly recognised the importance of the logistics industry in assisting the country towards achieving long-term global competitiveness. Besides that, the Malaysian Government also grants tax incentives in the form of Pioneer Status ("PS") or Investment Tax Allowance ("ITA") to approved ILS companies in order to create an efficient and competitive logistics industry and encourage the integration and consolidation of various transport intermediaries.

A Strategic Logistics Hub with Business-friendly Logistics Ecosystem

Malaysia is located strategically within the ASEAN region. It has the most number of ASEAN neighbours among all the ASEAN countries. As such, Malaysia is considered an ideal logistics gateway to the ASEAN markets. Malaysia has also earned a reputation of having one of the most well developed infrastructures among the industrialising countries of Asia with a network of well-maintained highways in Peninsular Malaysia and international ports that facilitate almost 95 percent of Malaysia's trade. It also has over 600 industrial parks as well as a large base of relatively young and well-educated talent with multi-lingual capability. All these have helped to provide a boon to regional and logistics operations in the country and catalyse the growth in the local logistics industry.

Positive Developments in ICT Help to Support Growth

The logistics industry in Malaysia, like its counterparts from all around the world, has benefited from the positive developments in ICT that help to facilitate effective and efficient supply chain management as well as optimising the business value of IT within the logistics operations. The rapid development of ICT can also help to enable new supply chain structures and produce new services. Direct trade can be enhanced by easier access to information for suppliers and actual users while the 'virtual logistics chain' services have emerged to facilitate interested parties to check for relevant logistics information and communicate in real time from an Internet-based communications system with a centralised database.

Weaker Oil Prices Ease Pressure on Cost of Operations

Logistics industry players, in particular transport operators, stand to enjoy relatively low fuel cost following weaker oil prices. Fuel is a major cost component for these industry players (transport operators) as it is mostly used to power their transportation vehicles. With cheaper fuel, transport operators are in a better position to price their services competitively and protect their profit margin. The cost savings enjoyed from weaker oil prices can be passed to customers leading to potentially higher uptake in the services offered by logistics industry players.

Intense Price Competition

The level of price competition in the local logistics industry is intense. This is due mainly to the high level of fragmentation in the industry. As a result, there is a constant downward pressure on the pricing of services offered by logistics industry players in order to secure customers – creating an unhealthy business environment.

Challenging Environment for the Hiring of Goods Vehicle Drivers and Relatively Low-skilled Workers

There is currently a shortage of goods vehicle drivers while the attrition rate involving relatively low-skilled workers in this industry is considered to be relatively high particularly among the local workers. It also does not help that goods vehicle driving jobs as well as jobs requiring low-skilled workers are often held in low esteem by the younger population for reasons such as low wages, long hours, shift duties, limited career progression and/or for being viewed as a less glamorous job. As such, industry players in the local logistics industry face an uphill task in recruiting goods vehicle drivers and relatively low-skilled workers. In another development, there is a continuing upward pressure on the cost of employing workers. The 'Minimum Wage Policy' was implemented in the country with immediate effect from 1 January 2013.

Vulnerability to Meteorological Changes and Natural Disasters

Meteorological changes and natural disasters at both origin and destination markets (for cargo transportation) can result in the closure of transportation terminals and routes and dampen economic activities that disrupt logistics operations – leading to loss of revenues and business opportunities as affected transportation services are delayed, postponed or cancelled. For example, Typhoon Utor was blamed for the massive floods in Johore, Malacca, Pahang and Negeri Sembilan during the period from 18 December 2006 to 13 January 2007 that disrupted land cargo transportation activities. Besides that, major transport routes into Kedah and Perlis were shut down by a series of floods in November 2010. On a more recent note, Kelantan was hit by the worst floods in the history of the state in December 2014.

Vulnerability of Transportation Terminal Operations to Workers' Rights Activism, Strikes and Protests

Transportation terminals such as seaports and airports are considered key national assets that can help to drive the local economy. However, their status as a strategic national infrastructure makes them an unwelcome target for workers' rights activism (particularly by terminal workers), strikes and protests. There were many incidences in the past whereby these activities had resulted in the disruption of key transportation terminals' operations. The logistics industry players in Malaysia, like their counterparts from all around the world, face potential disruptions and loss of businesses from any closure of transportation terminals as well as delay or cancellation of cargo transportation services. Such incidences in the past have only raised the level of external risk that logistics industry players are exposed to.

8.0 Industry's Reliance on and Vulnerability to Imports

The logistics industry in Malaysia has continued to rely heavily on foreign transport services. The deficit in the transportation services account (including cargo transportation services) in the country's balance of payments ("BOP") widened to RM32.90 billion in 2014 as compared to RM30.28 billion in 2013.

Figure 8: Net BOP in the Transportation Services Account of Malaysia, 2011-2015

Year	Net BOP (RM million)
2011	-25,064
2012	-27,994
2013	-30,280
2014[p]	-32,900
2015[f]	-33,151

Notes:

1) *[p] denotes preliminary*
2) *[f] denotes forecast*
3) *The BOP is in accordance with the Sixth Edition of the Balance of Payments Manual by the International Monetary Fund*

Sources: Department of Statistics Malaysia and Bank Negara Malaysia

The growing deficit from 2011 to 2014 as depicted in Figure 8 reflects the industry's heavy reliance on and vulnerability to foreign logistics services. The growing deficit trend is expected to continue in 2015. The deficit in the transportation services account is expected to further widen to RM33.15 billion for that year. There are clearly opportunities for imports substitution and the need to create a strong domestic capacity in providing logistics services as well as expanding the exports of logistics services.

9.0 Substitute Products or Services

The logistics industry still plays a crucial role in today's supply chain management and transportation of physical cargo. In terms of transport services, one mode of transportation may not be an absolute substitute for another. Cargo may also be transported via a combination of different modes of transportation. The mode of choice for cargo shippers is dependent on various factors such as cost, capability, route and speed. Meanwhile, logistics services are still widely required to provide support to the principal transport mode(s). However, not every logistics services may be required. The extensiveness and/or choices of logistics services required are subject to various factors such as supply chain strategy, operating cost structure, the involvement of cross-border trades and etc.

On another note, it needs to be pointed out that the dematerialisation and electronic distribution of 'info-products' (via the Internet) may lead to a reduction in the volume of certain cargo movement. For examples, the direct delivery of products such as videos and software via the Internet rendered it unnecessary to engage transport and/or logistics services. Nevertheless, the reduction in the volume of the cargo movement due to such dematerialisation and electronic distribution is expected to be relatively small and exceeded by the vast potential cargo traffic generated by a wider sourcing of supplies through Internet trading.

10.0 Relevant Laws and Regulations Governing the Market and Peculiarities of the Market

10.1 Customs

In Malaysia, the RMCD is the government agency that is responsible for administrating the nation's indirect tax policy. Examples of law and regulation administered by RMCD are the Customs Act 1967, the Goods and Services Tax Act 2014, the Excise Act 1976 and Free Zones Act 1990.

10.2 Relevant Laws and Regulations for Road Transport

The main law and regulation that is governing road transport in Malaysia is the Road Transport Act 1987. Agencies such as Road Transport Department ("RTD"), Road Safety Department ("RSD") and the Institute of Road Safety Research ("MIROS") are tasked to perform the relevant enforcement and regulatory duties. The country is also a signatory to various international conventions and protocols.

Land Public Transport Commission ("SPAD")

Logistics industry players in Malaysia need to apply for the necessary licences from the SPAD (in Peninsular Malaysia) and Commercial Vehicles Licensing Board ("CVLB") (in Sabah and Sarawak) for their goods vehicles. The SPAD, which comes directly under the purview of the Prime Minister, was officially established on 3 June 2010 under the Suruhanjaya Pengangkutan Awam Darat Act 2010 to play a central role in improving road- and rail-based public and cargo transport in Malaysia. With the gazetting of the Land Public Transport Act 2010 on 31 January 2011, the SPAD gained its full powers in drawing policies, regulating all aspects of train, bus and taxi services as well as road- and rail-based cargo transport and powers to audit, investigate, suspend or revoke licence, seize vehicles and penalise operators.

The SPAD was also tasked with implementing a re-registration of all commercial vehicle licences previously issued by the CVLB under the CVLB (Amendment) Act 2010. In addition, the licensing regime for commercial vehicles has been changed from a one-vehicle-one-licence regime to a new one-operator-one-licence system effective from 1 January 2012. The new system enables operators to use any vehicle in their fleet for designated routes rather than a licence for each vehicle in their fleet. The SPAD has also issued out a circular regarding the process for the issuance of Operator Licence.

There are two classes of licence for goods vehicles namely Carrier A and Carrier C. Carrier A licences are issued to vehicles carrying items for rent or hire and Carrier C licences are issued to vehicles carrying privately owned items. Carrier A licence can be divided into two according to the types of service namely container ("KA") and other than container.

The commercial vehicles used by logistics industry players in Malaysia to transport container bulk, bulk liquid and general haulage and cargo must be registered with the RTD. Meanwhile, logistics industry players that are transporting scheduled wastes are required to obtain a licence from the Department of Environment ("DOE") in accordance with the Environmental Quality (Scheduled Wastes) Regulations 1989. For logistics industry players that are interested in transporting nuclear and radioactive materials, a Class D Licence needs to be obtained from the Atomic Energy Licensing Board ("AELB").

10.3 Occupational Safety and Health Regulations

All legislations related to occupational safety and health in Malaysia are administrated and enforced by the Department of Occupational Safety and Health ("DOSH") under the Ministry of Human Resources, Malaysia. The three major legislations governing the enforcement activities on occupational safety and health are the Occupational Safety and Health Act ("OSHA") 1994, the Factories and Machinery Act ("FMA") 1967 and the Petroleum Act (Safety Measure) 1984. Logistics industry players in Malaysia need to comply with occupational safety and health regulations particularly the OSHA 1994.

Legislative framework to promote, stimulate and encourage high standards of health and safe working culture among all Malaysian employees and employers through self-regulation schemes are provided by OSHA 1994. All occupational activities in the logistics industry such as cargo transportation activities are subject to OSHA 1994.

There are seven regulations under OSHA 1994 enforced by DOSH namely:

- Classification, Labelling and Safety Data Sheet of Hazardous Chemicals Regulations, 2013;
- Control of Industrial Major Accident Hazards Regulations, 1996;
- Employers' Safety and Health General Policy Statements (Exception) Regulations, 1995;
- Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease Regulations, 2004;
- Safety and Health Committee Regulations, 1996;
- Safety and Health Officer Regulations, 1997; and
- Use and Standards of Exposure of Chemicals Hazardous to Health Regulations, 2000.

10.4 Quality Standards

Compliance to national and international standards is gaining prominence among logistics industry players in Malaysia against the backdrop of a globalisation trend. Besides meeting the requisite requirements set by each government, if any, any voluntary compliance can also go a long way towards boosting the confidence of potential end-user markets.

In Malaysia, the national standard and accreditation body is the Department of Standards Malaysia ("STANDARDS MALAYSIA"). The Standards of Malaysia Act 1996 governs the approval of a standard as a Malaysian Standard ("MS"). Meanwhile, the International Organisation for Standardisation ("ISO") is a widely recognised network of national standards bodies as well as the world's largest developer of voluntary International Standards. XHH has obtained ISO9001:2008 Quality Management System certification for the provision of logistics and transportation services. Compliance with quality standard by XHH reinforces its commitment in providing quality services to the end-users.

10.5 Liberalisation of Services under ASEAN Framework Agreement on Services ("AFAS")

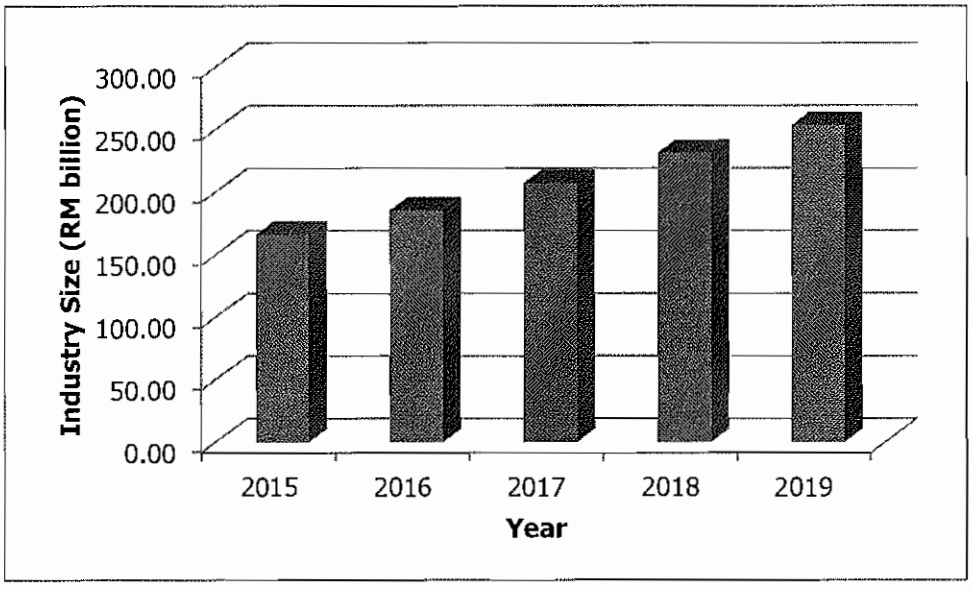
The services sector which includes the logistics industry is undergoing liberalisation under the AFAS to facilitate the establishment of free flow of services in the ASEAN region by 2015. The AFAS was signed by ASEAN Economic Ministers on 15 December 1995 in Bangkok, Thailand.

The competition in the local and ASEAN logistics industry is anticipated to increase significantly with the liberalisation trend and global logistics industry players are poised to position themselves strategically in this region. As such, the local logistics industry need to be well prepared to compete regionally and globally and strive to engage in supply chain management directly with their customers on a global basis.

11.0 Prospects and Outlook of the Logistics Industry in Malaysia

The logistics industry in Malaysia is projected to continue expanding during the 2015-2019 forecast period.

Figure 9: The Forecast Industry Size (Industry Revenue) of the Logistics Industry in Malaysia, 2015-2019



Source: Protégé Associates

The positive outlook on the demand for transport and logistics services in Malaysia stems mainly from the on-going implementation of government initiatives, expansion in the global and local economies, changing structure of Malaysia's exports, the presence of a very broad range of end-user markets and the growing prominence of e-commerce. The Malaysian Government is also bullish on the growth prospect of the overall volume of cargo transport.

Figure 10: Selected Projections of Cargo Transport Performance in Malaysia, 2020

Cargo Transport	Projection
Total Cargo Throughput in Malaysian Ports	751.0 million tonnes
Total Container Throughput in Malaysian Ports	36.6 million TEUs

Source: Economic Planning Unit, MITI and Ministry of Transport, Malaysia

On the supply side, although the industry is expected to be boosted by the encouraging support from the Malaysian Government, the position of Malaysia as a strategic logistics hub with business-friendly logistics ecosystem, positive developments in ICT that help to support growth and weaker oil prices that ease pressure on the cost of operations, it faces various challenges ahead. Intense price competition is expected to persist due to the high level of fragmentation. Besides that, the logistics industry in Malaysia is also expected to face a challenging environment for the hiring of goods vehicle drivers and relatively low-skilled workers. Its operations are also vulnerable to meteorological changes and natural disasters as well as any workers' rights activism, strikes and protests at transportation terminals.

Moving forward, the industry size (industry revenue) of the logistics industry in Malaysia is projected to expand from RM148.82 billion in 2014 to RM253.21 billion in 2019 and register a CAGR of 11.2 percent.

The local road transport market is also projected to register continuing growth from 2015 to 2019. The market size (market revenue) of the road transport market in Malaysia is projected to reach RM37.33 billion in 2019.

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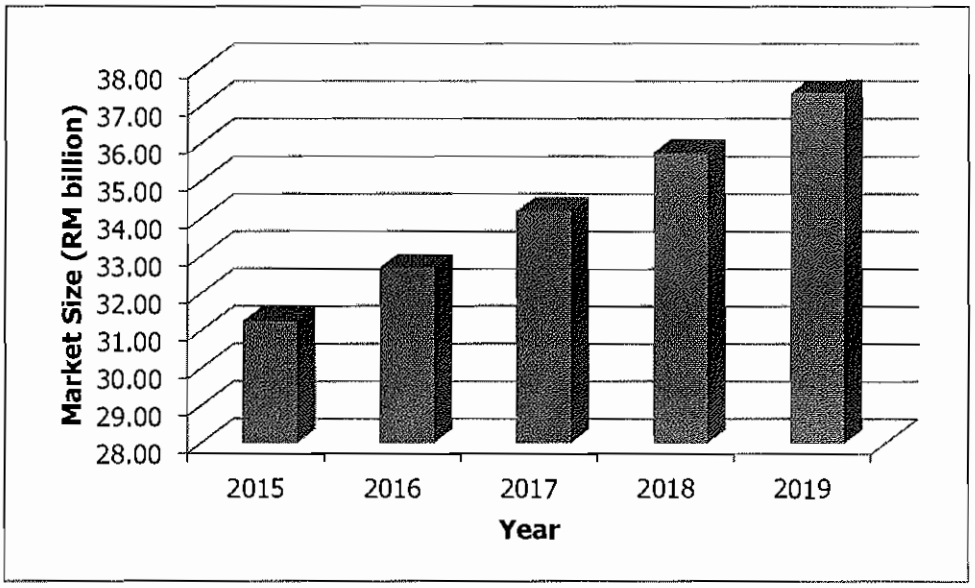
Figure 11: The Forecast Market Size (Market Revenue) of the Road Transport Market in Malaysia, 2015-2019



Source: Protégé Associates

Protégé Associates has prepared this 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 report presents a true and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not 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.

Thank you.

Yours sincerely,

SEOW CHEOW SENG
Managing Director
Protégé Associates Sdn. Bhd.

8. INFORMATION ON SUBSTANTIAL SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT

8.1 Promoters and Substantial Shareholders

8.1.1 Promoters and Substantial Shareholders' Shareholdings

The Promoters and substantial shareholders and their respective shareholdings in our issued and paid-up share capital before our IPO and after the Listing Exercise are as follows:

Name	Nationality / Place of incorporation	Designation	Before our IPO				After the Listing Exercise			
			Direct		Indirect		Direct		Indirect	
			No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Promoters and substantial shareholders										
Ng Aik Chuan	Malaysian	Managing Director	42,832,000	30.12	-	-	-	-	125,999,998^	70.00
Ng Yam Pin	Malaysian	Executive Director	42,594,000	29.95	-	-	-	-	125,999,998^	70.00
Eng Peng Lam @ Ng Peng Lam	Malaysian	-	56,791,998	39.93	-	-	-	-	125,999,998^	70.00
Substantial shareholder										
NF Capital	Malaysia	-	-	-	-	-	125,999,998*	70.00	-	-

Notes:

* During the prescription period, our Promoters will transfer a total of 125,999,998 Shares to NF Capital via the Share Transfer. Please refer to Section 5.5.3 of this Prospectus for further details.

^ Deemed interested by virtue of his direct interest in NF Capital pursuant to Section 6A of the Act.

8.1.2 Profile of Promoters and Substantial Shareholders

The substantial shareholders of our Company will consist of NF Capital, Ng Aik Chuan, Ng Yam Pin and Eng Peng Lam @ Ng Peng Lam (the Promoters and substantial shareholders of NF Capital), pursuant to the Share Transfer. The profiles of NF Capital, Ng Aik Chuan and Ng Yam Pin are set out in Sections 5.5.3 and 8.2.2 of this Prospectus and the profile of Eng Peng Lam @ Ng Peng Lam is as follows:

Eng Peng Lam @ Ng Peng Lam

Eng Peng Lam @ Ng Peng Lam, aged 71, a Malaysian, is a promoter and substantial shareholder of XHH.

He started his career after completing his primary education. Since 1965, he is involved in the logistics business providing land transportation services. In 1992, he established Sinwah Trading & Transport Agency, a partnership entity which was a transport and customs forwarding agency mainly involved in the provision of cargo transportation services. In 2002, the entire business operations of Sinwah Trading & Transport Agency were transferred to XHTT which was founded by Eng Peng Lam @ Ng Peng Lam together with his sons, namely Ng Aik Chuan and Ng Yam Pin. He is currently a director of XHTT.

8.1.3 Changes in Promoters and Substantial Shareholders' Shareholdings in Our Company Since Incorporation

Save as disclosed below, there has been no change in Promoters' and substantial shareholders' shareholding in our Company since the date of incorporation up to the completion of the Listing Exercise:

Names of Promoters / substantial shareholders	As at incorporation				As at 1 April 2014			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Ng Aik Chuan	1	50.00	-	-	2[(a)]	33.33	-	-
Ng Yam Pin	1	50.00	-	-	2[(a)]	33.33	-	-
Eng Peng Lam @ Ng Peng Lam	-	-	-	-	-	-	-	-
Mohd Hafiz Bin Daud	-	-	-	-	2[(b)]	33.33	-	-
NF Capital	-	-	-	-	-	-	-	-

8. INFORMATION ON SUBSTANTIAL SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

Names of Promoters / substantial shareholders	After the Acquisitions				After the Listing Exercise			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Ng Aik Chuan	42,832,000	30.12	-	-	-	-	125,999,998[(c)]	70.00
Ng Yam Pin	42,594,000	29.95	-	-	-	-	125,999,998[(c)]	70.00
Eng Peng Lam @ Ng Peng Lam	56,791,998	39.93	-	-	-	-	125,999,998[(c)]	70.00
Mohd Hafiz Bin Daud	2	#	-	-	2	#	-	-
NF Capital	-	-	-	-	125,999,998	70.00	-	-

Notes:

Negligible.

(a) XHH has subdivided the par value of its ordinary shares from RM1.00 to RM0.50 per share.

(b) Allotment of two (2) Shares to Mohd Hafiz Bin Daud satisfied by way of cash consideration.

(c) Deemed interested by virtue of his direct interest in NF Capital pursuant to Section 6A of the Act.

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8.2 Directors

8.2.1 Directors' Shareholdings

The Directors and their respective shareholdings in our issued and paid-up share capital before our IPO and after the Listing Exercise are as follows:

Name	Nationality	Designation	Before our IPO				After the Listing Exercise			
			Direct		Indirect		Direct		Indirect	
			No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datuk Seri Dr. Suleiman Bin Mohamed	Malaysian	Independent Non-Executive Chairman	-	-	-	-	100,000[(a)]	0.06	-	-
Ng Aik Chuan	Malaysian	Managing Director	42,832,000	30.12	-	-	-	-	125,999,998[(b)]	70.00
Ng Yam Pin	Malaysian	Executive Director	42,594,000	29.95	-	-	-	-	125,999,998[(b)]	70.00
Leong Kam Weng	Malaysian	Independent Non-Executive Director	-	-	-	-	100,000[(a)]	0.06	-	-
Datin Rahmah Binti Mahmood	Malaysian	Independent Non-Executive Director	-	-	-	-	100,000[(a)]	0.06	-	-
Liew Chek Leong	Malaysian	Independent Non-Executive Director	-	-	-	-	100,000[(a)]	0.06	-	-

Notes:

(a) Pertains to subscription of the Public Issue Shares allocated to eligible Directors under the Pink Form Allocation.

(b) Deemed interested by virtue of his direct interest in NF Capital pursuant to Section 6A of the Act.

8.2.2 Profile of Our Directors

(i) Datuk Seri Dr. Suleiman Bin Mohamed ("Datuk Seri Dr. Suleiman")

Datuk Seri Dr. Suleiman, aged 67, a Malaysian, is our Independent Non-Executive Chairman. He was appointed to our Board on 1 January 2015.

He graduated with a Bachelor's Degree in Communication Science from Universitas Negeri Padjadjaran Bandung, Indonesia in 1972 and he obtained a Doctorandus Degree in Journalism from the same university in 1974. Subsequently in 1999, he obtained a Doctor of Philosophy in Malay Literature Studies from University Kebangsaan Malaysia.

He started his career in 1974 when he joined Utusan Melayu as a journalist. In 1977, he joined Dewan Bahasa dan Pustaka as a publicity officer. He then joined Ministry of Culture, Youth and Sports, Malaysia as a press secretary where he was involved in handling requests from newspapers reporters, drafting press releases and speeches for ministers and organising events from 1978 to 1980. In 1980, he joined the Ministry of Information, Malaysia as a senior press liaison officer where he acted as an adviser and spokesperson for the Minister of Ministry of Information, Malaysia.

Datuk Seri Dr. Suleiman was an elected Member of the Parliament of Malaysia for four (4) consecutive terms between 1986 and 2004. He also held the posts of Deputy Minister of Prime Minister's Department, Malaysia from 1987 to 1995, Deputy Minister of Ministry of Information, Malaysia from 1995 to 1999 and Deputy Minister of Ministry of Health, Malaysia from 1999 to 2004.

Currently, he is the Chairman of UNITAR International University, a position he has held since 2012.

(ii) Ng Aik Chuan

Ng Aik Chuan, aged 47, a Malaysian, is our co-founder and Managing Director. He was appointed to our Board on 18 January 2013.

He is primarily responsible for charting our Group's strategic direction and oversees the overall business operations of our Group.

After completing the Malaysian Higher School Certificate in 1988, he began his career in Tiong Nam Trading & Transport (M) Sdn Bhd, where he joined as a warehouse supervisor and left the company as a forwarding executive in 1995. In 1996, he joined Sinwah Trading & Transport Agency, a family-owned partnership which was then led by his father, Eng Peng Lam @ Ng Peng Lam, where Ng Aik Chuan was involved in the management and business functions of the company.

In 2002, the entire business operations of Sinwah Trading & Transport Agency were transferred to XHTT which was incorporated in 1997 by his father, Eng Peng Lam @ Ng Peng Lam together with Ng Aik Chuan and his brother, Ng Yam Pin. Since then, Ng Aik Chuan has been actively involved in the management and day-to-day business operations of our Group. He has extensive experience and in-depth knowledge of the logistics industry in Malaysia and this has enabled our Group to broaden our range of logistics services towards becoming an integrated logistics service provider.

(iii) Ng Yam Pin

Ng Yam Pin, aged 46, a Malaysian, is our co-founder and Executive Director. He was appointed to our Board on 18 January 2013.

He obtained his Malaysian Skills Certificate as Automotive Panel Supervisor (Level 3), Commercial Vehicle Technician (Level 3), Motor Vehicle Technician (Level 3), Automotive Spray Painting Technician (Level 3) and Tyre Service Supervisor (Level 3) in 2002. In the same year, he also received certification for achieving supervisory level 3 based on the National Occupational Skills Standards from the National Vocational Training Council.

He worked as a contract driver for several transportation companies from 1988 to 1991. In 1992, he joined Sinwah Trading & Transport Agency, a family-owned partnership which was then led by his father, Eng Peng Lam @ Ng Peng Lam, where Ng Yam Pin was involved in the day-to-day operations of the company and was primarily responsible for overseeing the delivery process and the charting of routes for drivers. In 2002, the entire business operations of Sinwah Trading & Transport Agency were transferred to XHTT which was incorporated in 1997 by his father, Eng Peng Lam @ Ng Peng Lam together with his brother, Ng Aik Chuan and Ng Yam Pin.

He is currently responsible for the overall management of our fleet of vehicles and in-house manufacturing, fabrication and maintenance centre.

(iv) Leong Kam Weng

Leong Kam Weng, aged 50, a Malaysian, is our Independent Non-Executive Director. He was appointed to our Board on 1 December 2013.

He graduated with a Bachelor of Economics Degree and a Bachelor of Laws Degree from Monash University, Australia in 1986 and 1988, respectively. He was a certified practising accountant of CPA Australia in 2003 and was subsequently admitted as a Fellow of CPA Australia in 2013. He is also a Chartered Accountant of the Malaysian Institute of Accountants ("**MIA**") since 2004 and a certified mediator on the panel of the Malaysian Mediation Centre since 2007.

He was called to the Malaysian Bar in 1989. In February 1992, he joined TA Enterprise Berhad as the Group Legal Manager until July 1995. He was also the Vice President of International Division of TA Enterprise Berhad from November 1993 to October 1995. During his tenure with TA Enterprise Berhad, he was involved in identifying and negotiating investment opportunities in the Asia Pacific region. He held the position of General Manager / Director of Credit Leasing Corporation Sdn Bhd from November 1995 to February 1997. Subsequently, he held the post of Executive Director of TA Bank of Philippines, Inc from March 1997 to June 1998. From June 1998 to July 1999, he was the Chief Executive Officer of TA Securities Berhad.

Currently, he is a Partner of Messrs Iza Ng, Yeoh & Kit, Advocates & Solicitors. He is also a director of TA Enterprise Berhad and TA Global Berhad, which are both listed on the Main Market of Bursa Securities. He also sits on the board of several other public limited companies and private limited companies based in Malaysia.

(v) Datin Rahmah Binti Mahmood ("Datin Rahmah")

Datin Rahmah, aged 57, a Malaysian, is our Independent Non-Executive Director. She was appointed to our Board on 1 January 2015.

She graduated with a double degree, obtaining her Bachelor of Science Degree in Marketing and Mass Communications from Syracuse University, New York in 1979. Subsequently in 1981, she obtained a Masters in Journalism specialising in Public Relations from the University of Southern California, Los Angeles.

She started her career in 1983 when she joined S.M.A.S. (Holdings) Sdn Bhd as an executive director. She was involved in the administration and public relations functions of the company. She is currently a non-executive director of S.M.A.S. (Holdings) Sdn Bhd. In 1988, she joined Syarikat Mahmood Ambak & Sons Sdn Bhd as a director. She is currently the Chairman and Managing Director of the company, positions she has held since 1995 and 1990, respectively. The company is involved in supplying automotive spare parts to a few of Malaysia's civil service agencies. Subsequently in 1989, she co-founded Malaysian Automotive Lighting Sdn Bhd ("**MAL**"). MAL manufactures automotive head lamps and rear lamps for local and foreign car manufacturers. She is currently a director and shareholder of MAL, assisting in marketing and public relations of the company.

From 2005 to 2010, she joined ZF Sales and Service (Malaysia) Sdn Bhd as a director. The company is involved in the trading of automotive spare parts for Malaysian-made vehicles. She was involved in the marketing functions of the company.

In 2006, she co-founded Solarah Sdn Bhd. The company is the exclusive distributor of SunPower Corporation's solar panels and products in Malaysia. Datin Rahmah has been the director of the company since 2006 and is responsible for the marketing and sales of the products of the company. She is currently a director and shareholder of Solarah Sdn Bhd.

She is currently the Independent Non-Executive Director of TA Enterprise Berhad and TA Global Berhad. Both companies are listed on the Main Market of Bursa Securities.

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(vi) Liew Chek Leong

Liew Chek Leong, aged 43, a Malaysian, is our Independent Non-Executive Director. He was appointed to our Board on 1 December 2013.

He has been a member of the ACCA since 2001 and was admitted as a fellow member of ACCA in 2006. He was admitted as a member of the MIA in 2002.

He started his career in 1996 when he joined Tan Huai Leong & Co as an Audit Assistant. In 1997, he was attached to the southern branch of the MIA as a Trainee Accountant. Subsequently in 1999, he joined Beltontech Sdn Bhd as an Accounts and Administrative Manager where he was in charge of the accounts, finance, taxation, human resource and administrative matters. From 2004 to 2005, he was attached to Sestec Berhad as a Financial Controller and was actively involved in the company's corporate exercises, handling matters relating to corporate finance, accounts and taxation. He left Sestec Berhad to join Solid Corporation Sdn Bhd in 2005 as its Group Accountant. Subsequently, he joined Equator Biotech Berhad as an Accountant in 2006 before joining Tomypak Berhad, a wholly-owned subsidiary of Tomypak Holdings Berhad, a company listed on the Main Market as the Finance Manager in 2007. His experiences include overseeing the overall financial functions of the companies and advising on corporate matters.

Currently, he is the Finance Director of Tomypak Berhad and is responsible for the accounting and finance functions as well as assisting on matters relating to information technology, human resource and administration of the company. He is also a member of the Risk Management Committee of Tomypak Holdings Berhad.

Our Board is cognisant of the importance of good corporate governance and has taken note of the requirements of Bursa Securities and the relevant guidelines in relation to corporate governance which includes amongst others:

- Corporate Governance Guide: Towards Boardroom Excellence (2nd Edition) issued by Bursa Malaysia Berhad ("**CG Guide**"); and
- Malaysian Code on Corporate Governance 2012 ("**MCCG**").

Our Board undertakes to continuously comply with the Listing Requirements and the principles and recommendations of the CG Guide and MCCG.

8.2.3 Principal Activities Performed Outside Our Group

None of our Directors hold other principal directorships and / or business activities performed outside of our Group at present and in the past five (5) years prior to LPD, save for the following:

Name of Director	Directorships / Partnerships / Proprietorships	Principal activities	Involvement in business activities other than as a director / partner / proprietor	Date of resignation / date of shareholdings disposed of
Datuk Seri Dr. Suleiman	Present directorships:			
	Alliance Foundation Malaysia	To promote and encourage national unity among all races, to promote international understanding and to promote democracy in Malaysia	-	-
	Fresenius Kabi Malaysia Sdn Bhd	Trading of products in relation to infusions therapy, parenteral nutrition, enteral nutrition and ambulatory care and oncology and compounding service operations	-	-
	Laksel EPS Technologies Sdn Bhd	Manufacturing of refined petroleum products, other architectural and engineering activities and related technical consultancy as well as investment advisory services	Shareholder	-
	Malaysia-Arab Foundation	To promote personal and business contacts between Malaysians and the Arab countries	-	-
	Norlcla Corporation Sdn Bhd	Property investment	-	-
	Sustainable Innovations & Technologies Sdn Bhd	Involved in research and development in engineering and technology, wholesale of a variety of goods and investment advisory services	Shareholder	-
	Twilight Resources Sdn Bhd	Involved in general trading, land and property investment and investment holding	Shareholder	-
	Unitar Capital Sdn Bhd	Providing higher learning opportunities	-	-

8. INFORMATION ON SUBSTANTIAL SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

Name of Director	Directorships / Partnerships / Proprietorships	Principal activities	Involvement in business activities other than as a director / partner / proprietor	Date of resignation / date of shareholdings disposed of
Datuk Seri Dr. Suleiman *(Cont'd)*	Previous directorships:			
	Asal Jaya Sdn Bhd	Investment holding. Dissolved on 29.07.2011	-	29.07.2011
	Asreen Insurance Brokers Sdn Bhd	Dormant. Dissolved on 13.06.2011	-	13.06.2011
	BMO Consultant Berhad	Dormant	-	26.03.2012
	Elnileen Sdn Bhd	Formerly involved in general trading. Dissolved on 21.10.2011	-	21.10.2011
	Golden-Cept Land Sdn Bhd	Dormant	-	17.02.2011
	SSF Home Builder Sdn Bhd	Dormant	-	31.12.2012
	Idealseed Arrowhead Sdn Bhd	Dormant	-	08.06.2011
	Massdeal Sdn Bhd	Formerly involved in general contractor work. Dissolved on 29.07.2011	-	29.07.2011
	Nilam Suria Sdn Bhd	Investment holding of private equity	-	21.05.2012
Ng Aik Chuan	Present directorship:			
	NF Capital	Investment holding of shares	Shareholder	-
	Previous directorships:			
	Formasi Dinamik Sdn Bhd	Has not commenced operation since incorporation. Dissolved on 04.11.2011	-	04.11.2011
	Navegacion Logistics (Johor) Sdn Bhd	To provide logisties services of all kinds	Shareholder	02.01.2013 / 02.01.2013
	Syarikat Usahasana Melayu-China Sdn Bhd	Has not commenced operation since incorporation. Dissolved on 21.10.2011	Shareholder	21.10.2011
	Transformer Heavy Link Auto Sdn Bhd	Engaged as auto accessories and spare part dealers	Shareholder	26.06.2013 / 26.06.2013
	XHP Ventures Sdn Bhd	Business of travel shipping, stevedoring and transport agent	Shareholder	26.06.2013 / 26.06.2013

8. INFORMATION ON SUBSTANTIAL SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

Name of Director	Directorships / Partnerships / Proprietorships	Principal activities	Involvement in business activities other than as a director / partner / proprietor	Date of resignation / date of shareholdings disposed of
Ng Aik Chuan *(Cont'd)*	Previous partnerships:			
	Universal Forwarding & Services	Formerly involved as a custom declaration and forwarding agent and transport agency. Dissolved on 15.09.2014	-	15.09.2014
Ng Yam Pin	Present directorship:			
	NF Capital	Investment holding of shares	Shareholder	-
	Previous directorships:			
	Formasi Dinamik Sdn Bhd	Has not commenced operation since incorporation. Dissolved on 04.11.2011	-	04.11.2011
	IPL Innoval Sdn Bhd	Has not commenced operation since incorporation. Dissolved on 21.10.2011	-	21.10.2011
	Transformer Heavy Link Auto Sdn Bhd	Engaged as auto accessories and spare part dealers	Shareholder	26.06.2013 / 26.06.2013
	XHP Ventures Sdn Bhd	Business of travel shipping, stevedoring and transport agent	Shareholder	26.06.2013 / 26.06.2013
	Previous sole proprietorship:			
	Pin Trading & Transport Agency	Has not commenced operation since incorporation. Dissolved on 24.03.2014	-	24.03.2014
Leong Kam Weng	Present directorships:			
	Asian Outreach (Malaysia) Bhd	Non-profit company limited by guarantee. Principally engaged in charitable works and Christian activities	-	-
	Fame Oprion Sdn Bhd	Principally engaged in property letting	-	-
	GCF Sdn Bhd	Business consultants, wealth and assets planners	Shareholder	-
	Keep Linked Sdn Bhd	Investment holding of properties	Shareholder	-
	Lai Hoh Realty Sdn Bhd	Investment in properties	Shareholder	-

8. INFORMATION ON SUBSTANTIAL SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

Name of Director	Directorships / Partnerships / Proprietorships	Principal activities	Involvement in business activities other than as a director / partner / proprietor	Date of resignation / date of shareholdings disposed of
Leong Kam Weng *(Cont'd)*	Link Coordination Sdn Bhd	Office and administrative services	Shareholder	-
	Pecca Group Berhad	Investment holding of non-listed shares of its subsidiary companies principally involved in the manufacturing and trading of leather products	-	-
	Pusat Penyayang KSKA	Non-profit company limited by guarantee principally involved in community projects	-	-
	Riang Satria Sdn Bhd	Management consultancy and property investment holding	Shareholder	-
	Spring Hill Management Sdn Bhd	Venture capital management corporation formerly registered with the SC but had ceased business and deregistered with the SC on 25 May 2012	Shareholder	-
	Stemtech Malaysia Sdn Bhd	Direct selling and multi-level marketing, general trading and investment holding	-	-
	TA Enterprise Berhad	Investment holding and the provision of management services and funding facilities to its subsidiaries	-	-
	TA Global Berhad	Investment holding of non-listed shares of its subsidiary companies principally involved in hotel operations, property development, property investment and credit and lending	Shareholder	-
	Previous directorships:			
	Frond Peak Sdn Bhd	Formerly engaged in the business of letting of real properties. Dissolved on 12.03.2013	-	12.03.2013
	Pangkal Dinamik Sdn Bhd	Formerly engaged in investment holding of unquoted shares. Dissolved on 04.11.2011	Shareholder	04.11.2011

8. INFORMATION ON SUBSTANTIAL SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

Name of Director	Directorships / Partnerships / Proprietorships	Principal activities	Involvement in business activities other than as a director / partner / proprietor	Date of resignation / date of shareholdings disposed of
Leong Kam Weng *(Cont'd)*	Protasco Berhad	Investment holding of non-listed shares of its subsidiary companies principally involved in construction and maintenance of roads, engineering services, training and education and trading	-	28.11.2012
Datin Rahmah	Present directorships:			
	Agensi Pekerjaan Bayu Sdn Bhd	Dormant	Shareholder	-
	Clearwater Towers Sdn Bhd	Dormant	-	-
	Craig Realty Sdn Bhd	Dormant	Shareholder	-
	Green Pavilion Sdn Bhd	Property investment	Shareholder	-
	Hana Resources Sdn Bhd	Dormant	-	-
	Intelligent Power System Technology Sdn Bhd	Involved in the promotion of solar power voltaie, modernise and automated remote power systems, environment technology and power generation technology	Shareholder	-
	Layar Suci Sdn Bhd	Dormant	Shareholder	-
	Malaysian Automotive Lighting Sdn Bhd	Manufacture of car lamps and other automotive accessories	Shareholder*	-
	Perantau Bumi Sdn Bhd	Dormant	-	-
	Pharmagran Sdn Bhd	Dormant	Shareholder	-
	R&B Productions Sdn Bhd	Event managers, show promoters and advertising agents to event management, promotions and advertising	Shareholder	-
	Regalview (M) Sdn Bhd	Property management and investment	Shareholder	-
	S.M.A.S. (Holdings) Sdn Bhd	Investment holding	Shareholder	-
	Safrasia Sdn Bhd	Dormant	Shareholder	-
	Segi Hijau Sdn Bhd	Dormant	Shareholder	-

8. INFORMATION ON SUBSTANTIAL SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

Name of Director	Directorships / Partnerships / Proprietorships	Principal activities	Involvement in business activities other than as a director / partner / proprietor	Date of resignation / date of shareholdings disposed of
Datin Rahmah *(Cont'd)*	Solarah City Sdn Bhd	Dormant	Shareholder	-
	Solarah Properties Sdn Bhd	Dormant	Shareholder	-
	Solarah Sdn Bhd	Investment holding, dealing of renewable energy produets and provision of green environmental services	Shareholder	-
	Span Field Sdn Bhd	General trading of environmental products and services	Shareholder	-
	Syarikat Mahmood Ambak & Sons Sdn Bhd	General contractor and dealer in auto spare-parts	Shareholder	-
	TA Enterprise Berhad	Investment holding and the provision of management services and funding facilities to its subsidiaries	-	-
	TA Global Berhad	Investment holding of non-listed shares of its subsidiary companies principally involved in hotel operations, property development, property investment and credit and lending	-	-
	Previous directorships:			
	Infotech One Sdn Bhd	Formerly involved in general trading. Dissolved on 25.01.2011	-	25.01.2011
	IST Energy Sdn Bhd	Dormant. Dissolved on 06.12.2013	-	06.12.2013
	Jutamas Sakti Sdn Bhd	Dormant. Dissolved on 13.04.2012	Shareholder	13.04.2012 / 13.04.2012
	S.M.A.S. Restaurants Sdn Bhd	Dormant. Dissolved on 29.07.2011	-	29.07.2011
	TA Investment Management Berhad	Sales of trust units and management of unit trust funds and private clients' funds	-	01.12.2010
	Tawan Tenaga Sdn Bhd	Dormant. Dissolved on 06.12.2013	-	06.12.2013
	ZF Sales and Service (Malaysia) Sdn Bhd	Trading of automotive transmission, spare parts and provision of related services	-	15.10.2010

Name of Director	Directorships / Partnerships / Proprietorships	Principal activities	Involvement in business activities other than as a director / partner / proprietor	Date of resignation / date of shareholdings disposed of
Liew Chek Leong	Present directorship: Tomypak Berhad	Manufacturing and sale of packaging materials, polyethylene, polypropylene films and sheets	-	-

Note:

* Deemed interested by virtue of her interest in Regalview (M) Sdn Bhd pursuant to Section 6A of the Act.

Our Independent Non-Executive Directors are not involved in the day-to-day operations of the Group. Their involvement in other business activities outside our Company will not affect their contributions to our Group and would not be expected to affect the operations of our Group as the business activities are not similar to our Group.

Ng Aik Chuan and Ng Yam Pin's involvement in other companies outside our Group will not affect their contributions to our Group and would not be expected to affect the operations of our Group as the company is involved in investment holding of shares and does not give rise to any conflict of interest with our business.

8.2.4 Directors' Remuneration and Material Benefits-in-Kind

The aggregate current and proposed remuneration for the services rendered / to be rendered by our Directors in all capacities to our Group for the FYE 31 December 2014 and FYE 31 December 2015 respectively are as follows:

Name	Remuneration band	
	FYE 31 December 2014 (Actual) RM	FYE 31 December 2015 (Proposed) RM
Datuk Seri Dr. Suleiman	0 – 50,000	100,000 – 150,000
Ng Aik Chuan	400,000 – 450,000	450,000 – 500,000
Ng Yam Pin	400,000 – 450,000	450,000 – 500,000
Leong Kam Weng	50,000 – 100,000	50,000 – 100,000
Datin Rahmah	0 – 50,000	50,000 – 100,000
Liew Chek Leong	50,000 – 100,000	50,000 – 100,000

The above remuneration, which comprise salaries, bonuses, fees, allowances and other benefits-in-kind must be considered and recommended by the Remuneration Committee and subsequently approved by our Board. Our Directors' fees are subject to shareholders' approval at general meeting.

8.2.5 Benefits Paid or Intended to be Paid or Given to Promoters, Directors or Substantial Shareholders

Save as disclosed in Section 8.2.4 above, no amounts or benefits were paid or intended to be paid or given to any Promoters, Directors or substantial shareholders by our Company within the two (2) years preceding the date of this Prospectus.

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8.2.6 Directors' Term of Office

As at the LPD, the details of the date of expiration of the current terms of office for each of our Directors and the period for which the Director has served in that office are as follows:

Name	Designation	Date of appointment	Date of expiration of the current term of office#	No. of years in office
Datuk Seri Dr. Suleiman	Independent Non-Executive Chairman	01.01.2015	2015 annual general meeting	< 1
Ng Aik Chuan	Managing Director	18.01.2013	2015 annual general meeting	> 1
Ng Yam Pin	Executive Director	18.01.2013	2016 annual general meeting	> 1
Leong Kam Weng	Independent Non-Executive Director	01.12.2013	2017 annual general meeting	> 1
Datin Rahmah	Independent Non-Executive Director	01.01.2015	2015 annual general meeting	< 1
Liew Chek Leong	Independent Non-Executive Director	01.12.2013	2016 annual general meeting	> 1

Note:

In accordance with Article 77 of our Articles of Association, at the first (1st) annual general meeting of the Company, all the Directors shall retire from office and at the annual general meeting in every subsequent year, one-third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest one-third (1/3) shall retire from office provided always that all Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election. An election of Directors shall take place every year.

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8.3 Audit, Remuneration and Nominating Committee

8.3.1 Audit Committee

Our Audit Committee was established on 1 December 2013 and the members of the Audit Committee consist of the following:

Name	Designation	Directorship
Leong Kam Weng	Chairman	Independent Non-Executive Director
Liew Chek Leong	Member	Independent Non-Executive Director
Datuk Seri Dr. Suleiman	Member	Independent Non-Executive Chairman

Our Audit Committee's terms of reference include the following:

(i) recommend to our Board the appointment or reappointment of our Group's external auditors;

(ii) review the findings and scope of any audit and other services provided by our Group's external auditors;

(iii) review and evaluate our Group's internal audit and control functions as well as risk management framework;

(iv) assess the financial risk and matters relating to related party transactions and conflict of interests;

(v) review our quarterly results and annual financial statements before the approval by our Board, focusing particularly on, *inter-alia*, changes in or implementation of major accounting policy and practices, significant and unusual events, significant adjustments arising from the audit, compliance with accounting standards and other legal requirements; and

(vi) perform any other functions as may be requested by our Board.

The Audit Committee may obtain advice from independent parties and other professionals in the performance of its duties. The performance and term of office of the Audit Committee and each of its members shall be reviewed by our Board at least once in every three (3) years to determine such Audit Committee and members have carried out their duties in accordance with their term of reference.

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8.3.2 Remuneration Committee

Our Remuneration Committee was established on 1 December 2013 and the members of the Remuneration Committee consist of the following:

Name	Designation	Directorship
Datuk Seri Dr. Suleiman	Chairman	Independent Non-Executive Chairman
Liew Chek Leong	Member	Independent Non-Executive Director
Ng Aik Chuan	Member	Managing Director

Our Remuneration Committee's terms of reference include the following:

(i) assess and recommend to our Board the appropriate remuneration packages for the Directors;

(ii) assist our Board in assessing the responsibility and commitment undertaken by our Board;

(iii) assist our Board in ensuring the remuneration packages for our Directors commensurate with the responsibility and commitment of the Directors concerned; and

(iv) ensure corporate accountability and governance in respect of the remuneration given to the Directors.

8.3.3 Nominating Committee

Our Nominating Committee was established on 1 December 2013 and the members of the Nominating Committee consist of the following:

Name	Designation	Directorship
Datuk Seri Dr. Suleiman	Chairman	Independent Non-Executive Chairman
Leong Kam Weng	Member	Independent Non-Executive Director
Datin Rahmah	Member	Independent Non-Executive Director

Our Nominating Committee's terms of reference include the following:

(i) assess and review the effectiveness of our Board including the structure, size, composition of the members and ability of each Director in carrying out their obligations and duties as a Director;

(ii) identify and recommend to our Board, eligible candidates for directorships to fill the seats on the Board committees when the need arises; and

(iii) ensure the implementation of an appropriate training programme framework and succession planning for our Board.

8.4 Key Management

8.4.1 Key Management's Shareholdings

The direct and indirect interests of our key management in our issued and paid-up share capital before our IPO and after the Listing Exercise are as follows:

Name	Nationality	Designation	Before our IPO				After the Listing Exercise*			
			Direct		Indirect		Direct		Indirect	
			No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Ng Aik Chuan	Malaysian	Managing Director	42,832,000	30.12	-	-	-	-	125,999,998^	70.00
Ng Yam Pin	Malaysian	Executive Director	42,594,000	29.95	-	-	-	-	125,999,998^	70.00
Kok Poh Fui	Malaysian	Chief Financial Officer	-	-	-	-	-	-	-	-
Ting Pik Hou	Malaysian	General Manager	-	-	-	-	-	-	-	-
Teo Hwee Cher	Malaysian	General Manager of Business Development	-	-	-	-	-	-	-	-
Lai Siew Hong	Malaysian	Administrative and Human Resources Manager	-	-	-	-	-	-	-	-
Mohd Yusoff Bin Rahmat	Malaysian	Group Operations Manager	-	-	-	-	-	-	-	-

Notes:

* This has not taken into consideration the potential subscription of their allocated Public Issue Shares under the Pink Form Allocation.

^ Deemed interested by virtue of his direct interest in NF Capital pursuant to Section 6A of the Act.

8.4.2 Profiles of Our Key Management

The profiles of Ng Aik Chuan and Ng Yam Pin have been detailed out in Section 8.2.2 of this Prospectus while the profiles of the other key management of our Group are as follows:

(i) Kok Poh Fui

Kok Poh Fui, aged 45, a Malaysian, is our Chief Financial Officer. He is responsible for the finance, taxation and accounting matters of our Group.

He is a member of ACCA since 1998 and a member of MIA since 1999. He was admitted as a Fellow of ACCA in 2003.

Upon obtaining his London Chamber of Commerce and Industry ("**LCCI**") Diploma in Accounting in 1991, he began his career as a Lecturer for LCCI International Qualifications at Cambridge College in Johor Bahru, Johor Darul Takzim (currently known as I-Systems College Johor Bahru) in the same year. He then joined SQ Associates as a Senior Audit Assistant in 1995 where he was involved in undertaking statutory audits of private limited companies. He left SQ Associates in 1997 to join Singamip Enterprise Pte Ltd in Singapore as an Accountant. He was involved in the accounting and finance functions of the company. He joined Chye Hup Heng Sdn Bhd as the Group Financial Controller in 1998 where he was responsible for the accounting and finance functions as well as business planning of the company. In 2010, he then joined SMC Consulting Sdn Bhd, a company that was established by himself and three (3) other parties in 2000 as a Business Consultant, advising on accounting, tax and internal control matters. He left SMC Consulting Sdn Bhd and joined our Group as the Chief Financial Officer in 2013.

(ii) Ting Pik Hou

Ting Pik Hou, aged 36, a Malaysian, is our General Manager. He graduated with a Bachelor of Arts (Honours) in Finance from the University of Hertfordshire, United Kingdom in 2000.

He has accumulated approximately fourteen (14) years of experience in the logistics industry. He began his career in 2001 as an Operations Executive with Tiong Nam Logistics Solution Sdn Bhd. In 2005, he was then promoted to Operations Deputy Manager. During his tenure with the company, he was involved in handling logistics operations of the branch offices in Johor Bahru, Johor Darul Takzim and Singapore. He left Tiong Nam Logistics Solution Sdn Bhd to join our Group in 2006 as the Operations Manager. He was subsequently promoted as the General Manager of our Group in 2010.

Currently, he is responsible for overseeing our Group's business operations which include monitoring, evaluating and improving the business processes of our Group. In addition, he is also the registered person for matters in relation to the compliance of the ISO 9001:2008 Quality Management System.

(iii) Teo Hwee Cher

Teo Hwee Cher, aged 44, a Malaysian, is our General Manager of Business Development. She graduated with a Diploma in Business Administration from Apex Management Institute in Johor Bahru, Johor Darul Takzim in 1993.

She began her career in 1991 as a personal assistant to the Managing Director at Zoom Optical Malaysia Sdn Bhd. She was posted to China to undertake the position of Manager in Shanghai Kang Ming Pte Ltd, the sister company of Zoom Optical Malaysia Sdn Bhd in the same year where she was involved in the internal audit process of the company. In 1993, she returned to Malaysia and continued her role as the Internal Audit Manager in Zoom Optical Malaysia Sdn Bhd.

Subsequently in 1995, she left Zoom Optical Malaysia Sdn Bhd to join Maersk Malaysia Sdn Bhd as an Assistant Manager where she was mainly involved in leading the customer service operations. Between 2001 and 2008, she joined several logistics companies namely, Near-Sea Logistics Sdn Bhd (currently known as Menlo Worldwide (Malaysia) Sdn Bhd) (from 2001 to 2003 and from 2004 to 2008) and Orient Overseas Container Line (Malaysia) Sdn Bhd (from 2003 to 2004) as their Branch Manager overseeing the day-to-day operations and business development activities of the company.

In 2008, she joined ECU-Line (Johor Bahru) Sdn Bhd as a Logistics Manager and was mainly involved in overseeing the logistics operations of the group and handling customer enquiries. She left the company and joined Ceva Freights Holdings (M) Sdn Bhd as a Customer Service Operations Manager in 2010 where she was involved in overseeing the entire logistics functions of the branch offices and business development aspects of the company. She joined our Group in 2013 in her current capacity as the General Manager of Business Development.

Currently, she is responsible for overseeing the marketing and business development activities and customer service functions of our Group.

(iv) Lai Siew Hong

Lai Siew Hong, aged 46, a Malaysian, is our Administrative and Human Resources Manager. He completed his Research and Advanced Study in Leadership at Tsinghua University, China in 2011.

Upon obtaining his London Chamber of Commerce (currently known as LCCI) Diploma in 1988, he began his career with Institut Shafiq as an Accounts Officer in the same year. He then joined KK Wong & Co as an Audit and Tax Senior in 1990 and subsequently joined Straights View Hotel Sdn Bhd as an Accounts Manager in 1993 where he was involved in the accounts and administration matters of the company. In 1997, he joined Best World Bhd as an Internal Auditor.

Thereafter, he has held senior managerial positions in various companies namely NS-Tech Electronics Sdn Bhd as the Financial Controller in 1998, P&T Precision Industry Sdn Bhd as the Financial Controller in 2003, Kelana Megah Sdn Bhd as the Financial Controller in 2006 and Rong Mah (J) Sdn Bhd as the Chief Financial Officer in 2007. During his tenure in the abovementioned companies, he was mainly involved in the overall financial planning and management functions of the companies. In 2009, he joined LBL Global Holdings Sdn Bhd as the Group Executive Director and Chief Financial Officer where he was involved in the accounting and finance functions as well as the company's administrative and human resource matters.

He joined our Group in 2013 and is currently responsible for the human resource development, administration of payroll, employee relations, and other administrative matters of our Group.

(v) **Mohd Yusoff Bin Rahmat**

Mohd Yusoff Bin Rahmat, aged 55, a Malaysian, is our Operations Manager. He has accumulated more than twenty (20) years of experience in the logistics industry.

After completing his secondary education in 1975, he has spent approximately ten (10) years working in the agriculture sector, including establishing a sole proprietorship involved in the trading of agricultural products. He joined Tiong Nam Trading & Transport (M) Sdn Bhd as a Goods Vehicle Driver in 1988 and was subsequently promoted to Administration Assistant in 1991. He left the company in 1995 to oversee his family business. In 2001, he joined Sinwah Trading & Transport Agency as a Goods Vehicle Driver and was subsequently transferred to XHTT in 2002. He was promoted as the Branch Manager in 2005. In 2008, he was promoted as the Operations Manager of our Group.

He is currently responsible for the overall management of our land transport operations which, amongst others, include planning of vehicles schedule and arrangement of drivers.

8.4.3 Involvement of Key Management in Other Businesses / Corporations

Save as disclosed in Section 8.2.3 of this Prospectus and below, as at the LPD, none of our key management is involved in other businesses /corporations:

Name	Company	Principal activities	Involvement in business activities
Kok Poh Fui	SMC Consulting Sdn Bhd	Property investment	Shareholder
	Greenview Arena Sdn Bhd	Property investment	Shareholder

The involvement of our key management in the above businesses does not affect his contributions to our Group and would not be expected to affect the operations of our Group as he is not actively involved in the activities and operations of the abovementioned companies.

8.5 Declarations from Our Promoters, Directors or Key Management

None of our Promoters, Directors or key management is or has been involved in any of the following events (whether in or outside Malaysia):

(i) a petition under any bankruptcy or insolvency laws that was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;

(ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;

(iii) charged and / or convicted in a criminal proceeding or is named subject of a pending criminal proceeding;

(iv) any judgement was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or

(v) the subject of any order, judgement or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

8.6 Family Relationships or Associations

As at the LPD, there are no family relationships (as defined in Section 122A of the Act) or associations between our substantial shareholders, Promoters, Directors or key management save for the following:

(i) Eng Peng Lam @ Ng Peng Lam is the father of Ng Aik Chuan and Ng Yam Pin; and

(ii) Ng Aik Chuan and Ng Yam Pin are siblings.

8.7 Service Agreements

Save as disclosed below, as at the LPD, there are no existing or proposed service agreements between our Group and Directors or key management, excluding contracts expiring or determinable by our Company without payments or compensation (other than statutory compensation), which are not terminable by notice without payment or compensation (other than statutory notice).

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The existing service agreements between our Company and the Directors and the salient terms therein are as follows:

(i) a director's service agreement between our Company and Ng Aik Chuan dated 19 March 2014, where Ng Aik Chuan was appointed as the Managing Director of our Company effective from 1 January 2014 for an initial period of three (3) years. Upon expiry of this initial term, Ng Aik Chuan shall continue to serve as the Managing Director of our Company until terminated in accordance with the service agreement. During the continuance of his employment, our Company shall pay Ng Aik Chuan a monthly basic salary of RM35,000. If at any time Ng Aik Chuan is incapacitated or prevented by illness, injury, accident or any other circumstances beyond his control from discharging his duties hereunder for a consecutive period of six (6) months, our Company may, by one (1) month's prior notice in writing, terminate his employment under the service agreement. The service agreement may be terminated by either party giving to the other party written notice of termination of not less than three (3) months and such termination to take effect on the expiry of the notice. In the event Ng Aik Chuan resigns or terminates the service agreement other than in accordance to the provisions therein, Ng Aik Chuan shall compensate our Company an amount equal to all monies received by him pursuant to the service agreement;

(ii) a director's service agreement between our Company and Ng Yam Pin dated 19 March 2014, where Ng Yam Pin was appointed as the Executive Director of our Company effective from 1 January 2014 for an initial period of three (3) years. Upon expiry of this initial term, Ng Yam Pin shall continue to serve as the Executive Director of our Company until terminated in accordance with the service agreement. During the continuance of his employment, our Company shall pay Ng Yam Pin a monthly basic salary of RM35,000. If at any time Ng Yam Pin is incapacitated or prevented by illness, injury, accident or any other circumstances beyond his control from discharging his duties hereunder for a consecutive period of six (6) months, our Company may, by one (1) month's prior notice in writing, terminate his employment under the service agreement. The service agreement may be terminated by either party giving to the other party written notice of termination of not less than three (3) months and such termination to take effect on the expiry of the notice. In the event Ng Yam Pin resigns or terminates the service agreement other than in accordance to the provisions therein, Ng Yam Pin shall compensate our Company an amount equal to all monies received by him pursuant to the service agreement;

(iii) a director's service agreement between our Company and Leong Kam Weng dated 1 December 2013, where Leong Kam Weng was appointed as the Independent Non-Executive Director of our Company effective from 1 December 2013 for an initial period of three (3) years. Upon expiry of this initial term, Leong Kam Weng shall continue to serve as the Independent Non-Executive Director of our Company until terminated in accordance with the service agreement. During the continuance of his employment, our Company shall pay Leong Kam Weng a monthly director's fee of RM7,000 and if increased, such increment must be approved by the shareholders of the Company in a general meeting. In addition, Leong Kam Weng shall be entitled to an attendance fee of RM1,000 for every attendance of a meeting other than an extraordinary general meeting and annual general meeting held in Malaysia of which the attendance fee shall be RM1,500 each. If during his appointment under the service agreement, Leong Kam Weng ceases to be a director of the Company (otherwise than by reason of his death, resignation or disqualification under the Articles of Association or by any applicable law or court order), his appointment shall terminate automatically with immediate effect and he shall have no claim against the Company save for antecedent claims. The service agreement may be terminated by either party giving the other party three (3) months' notice in writing after which each party's rights and obligations will cease and none of the party will have any claim against each other;

(iv) a director's service agreement between our Company and Liew Chek Leong dated 1 December 2013, where Liew Chek Leong was appointed as the Independent Non-Executive Director of our Company effective from 1 December 2013 for an initial period of three (3) years. Upon expiry of this initial term, Liew Chek Leong shall continue to serve as the Independent Non-Executive Director of our Company until terminated in accordance with the service agreement. During the continuance of his employment, our Company shall pay Liew Chek Leong a monthly director's fee of RM5,000 and if increased, such increment must be approved by the shareholders of the Company in a general meeting. In addition, Liew Chek Leong shall be entitled to an attendance fee of RM1,000 for every attendance of a meeting other than an extraordinary general meeting and annual general meeting held in Malaysia of which the attendance fee shall be RM1,500 each. If during his appointment under the service agreement, Liew Chek Leong ceases to be a director of the Company (otherwise than by reason of his death, resignation or disqualification under the Articles of Association or by any applicable law or court order), his appointment shall terminate automatically with immediate effect and he shall have no claim against the Company save for antecedent claims. The service agreement may be terminated by either party giving the other party three (3) months' notice in writing after which each party's rights and obligations will cease and none of the party will have any claim against each other.

(v) a director's service agreement between our Company and Datuk Seri Dr. Suleiman dated 1 January 2015, where Datuk Seri Dr. Suleiman was appointed as the Independent Non-Executive Director of our Company effective from 1 January 2015 for an initial period of two (2) years. Upon expiry of this initial term, Datuk Seri Dr. Suleiman shall continue to serve as the Independent Non-Executive Director of our Company until terminated in accordance with the service agreement. During the continuance of his employment, our Company shall pay Datuk Seri Dr. Suleiman a monthly director's fee of RM9,000 and if increased, such increment must be approved by the shareholders of the Company in a general meeting. In addition, Datuk Seri Dr. Suleiman shall be entitled to an attendance fee of RM1,000 for every attendance of a meeting other than an extraordinary general meeting and annual general meeting held in Malaysia of which the attendance fee shall be RM1,500 each. If during his appointment under the service agreement, Datuk Seri Dr. Suleiman ceases to be a director of the Company (otherwise than by reason of his death, resignation or disqualification under the Articles of Association or by any applicable law or court order), his appointment shall terminate automatically with immediate effect and he shall have no claim against the Company save for antecedent claims. The service agreement may be terminated by either party giving the other party three (3) months' notice in writing after which each party's rights and obligations will cease and none of the party will have any claim against each other.

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(vi) a director's service agreement between our Company and Datin Rahmah dated 1 January 2015, where Datin Rahmah was appointed as the Independent Non-Executive Director of our Company effective from 1 January 2015 for an initial period of two (2) years. Upon expiry of this initial term, Datin Rahmah shall continue to serve as the Independent Non-Executive Director of our Company until terminated in accordance with the service agreement. During the continuance of her employment, our Company shall pay Datin Rahmah a monthly director's fee of RM8,000 and if increased, such increment must be approved by the shareholders of the Company in a general meeting. In addition, Datin Rahmah shall be entitled to an attendance fee of RM1,000 for every attendance of a meeting other than an extraordinary general meeting and annual general meeting held in Malaysia of which the attendance fee shall be RM1,500 each. If during her appointment under the service agreement, Datin Rahmah ceases to be a director of the Company (otherwise than by reason of her death, resignation or disqualification under the Articles of Association or by any applicable law or court order), her appointment shall terminate automatically with immediate effect and she shall have no claim against the Company save for antecedent claims. The service agreement may be terminated by either party giving the other party three (3) months' notice in writing after which each party's rights and obligations will cease and none of the party will have any claim against each other.

8.8 Information on Our Employees

The total number of our employees with the respective breakdown is classified into the following categories:

	Number of employees				
	<---------- As at 31 December ---------->				As at the LPD
Category	**2011**	**2012**	**2013**	**2014**	
Managerial	21	21	29	29	29
Sales and marketing	18	23	20	15	15
Technical and supervisor	65	66	89	117	103
Clerical / administrative	68	79	97	131	135
Drivers*	362	456	476	462	448
General workers	21	24	37	84	84
	555	669	748	838	814
Nationality					
- Local	526	644	717	713	688
- Foreign	29	25	31	125	126
Total	555	669	748	838	814

Note:

* Drivers are employed under contract for service.

As at the LPD, our Group has a total staff force of 814 personnel, comprising 366 employees and 448 drivers employed under contract for service for the tenure of one (1) year on renewable basis. Our staff force includes 126 foreign workers mainly from Indonesia, Myanmar and Nepal under contractual employment for tenures of one (1) to three (3) years. All our foreign workers hold valid working permits and are not in breach of any immigration laws in Malaysia. The increase in the number of foreign workers from twenty nine (29) as at 31 December 2011 to 125 as at 31 December 2014 was due to the increase in the number of general workers required for repair and maintenance works at our in-house manufacturing, fabrication and maintenance centre in Senai, Johor Darul Takzim as well as our warehousing and distribution operations amidst increasing demand for packaging services.

None of our employees belong to any trade unions and they have good working relationships with our management. There has not been any past industrial dispute between the management and the employees.

The employees of our Group receive on-the-job training in order to improve their skills and knowledge in the areas of management skills and technical know-how. The table below lists the key training and development programmes completed by some of our employees for the past four (4) years. The programmes encompass internal and external training and development programmes.

Year	Programme	Organiser	Attendees
2011	Truck Maintenance, Upkeeping and Services Knowledge	In-house training programme	Drivers
	Orientation and Safety Training	In-house training programme	Drivers
	Prime Mover Operating	Johor Port Berhad	Drivers
	Prime Mover Learning	Pelabuhan Tanjung Pelepas Sdn Bhd	Drivers
	Safety Orientation	New West Coast Pte Ltd	Drivers
	Understanding ISO 9001:2008 Quality Management System	Neville-Clarke (M) Sdn Bhd	ISO committee members
2012	Safety Training	In-house training programme	Drivers
	Prime Mover Operating	Johor Port Berhad	Drivers
	Prime Mover Learning	Pelabuhan Tanjung Pelepas Sdn Bhd	Drivers
	ISO 9001:2008 Internal Audit	Neville Clarke (M) Sdn Bhd	ISO committee members
	ISO 9001:2008 Quality Management System Awareness	Neville Clarke (M) Sdn Bhd	Staff
	Supply Chain Management	GDP Training & Resourees Sdn Bhd	Key management and staff
	Kursus Pindaan Akta Kerja 1955 (Perspektif dan Implikasi terhadap Majikan dan Pekerja) Tahun 2012	Kelab Sosial Kakitangan Jabatan Tenaga Kerja Johor Bahru	Staff of Human Resource Department
	National Tax Seminar 2012	Inland Revenue Board of Malaysia	Staff of Finance Department
	Motivation of Staff	Six E Model Sdn Bhd	Staff
	International Maritime Dangerous Goods Code: General Awareness	CLLB Sdn Bhd	Drivers
	Basic Management for Managers	Wonderful Assets Sdn Bhd	Staff

8. INFORMATION ON SUBSTANTIAL SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

Year	Programme	Organiser	Attendees
2013	Safety Training	In-house training programme	Drivers
	Prime Mover Operating	Johor Port Berhad	Drivers
	Introduction on Shipping Practice – Part 1	In-house training programme	Staff
	Introduction on Shipping Practice – Part 2	In-house training programme	Staff
	Effective Leadership Skills	Elco Management Consultants Sdn Bhd	Staff
	Land Transport Equipment Knowledge	In-house training programme	Staff
	ISO 9001 Process Based Internal Auditing	Neville Clarke (M) Sdn Bhd	ISO committee members
	Confident Communication	Neville Clarke (M) Sdn Bhd	Staff
2014	Safety Training	In-house training programme	Drivers
	Hazard Identification, Risk Assessment and Control (HIRAC) Training	In-house training programme	Key management and ISO committee members
	Defensive Driving Method	Shell (M) Trading Sdn Bhd	Drivers
	Foreign Worker Management Centralised System	Federation of Malaysian Manufacturers	Staff
	Outreach on the Certificate of Approval Procedures	MITI	Staff
	Understanding an ISO 9001:2008 Quality Management System	Neville Clarke (M) Sdn Bhd	Staff
2015	Advanced Heavy Lifting and Transportation	Petrogas Pte Ltd	Staff
	Process Based Internal Auditing Skills of Gathering Information (ISO 9001 & OHSAS 18001)	Neville Clarke (M) Sdn Bhd	ISO and OHSAS committee members

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9. APPROVALS AND CONDITIONS

9.1 Conditions on Approvals for Our Listing Exercise

The Listing of our Company on the Main Market was approved by the relevant authorities as follows:

Authority	Date of approval
SC	11 February 2015
MITI	10 December 2014
Bursa Securities	3 June 2015

9.1.1 Approval from the SC

The SC had, via its letter dated 11 February 2015, approved our Listing Exercise under Section 214(1) of the CMSA and the equity requirements for public companies.

The conditions imposed by the SC and the status of compliance with these conditions are as follows:

Conditions	Status of compliance
XHH to allocate shares equivalent to at least 12.50% of its enlarged issued and paid-up share capital at the point of listing to Bumiputera investors. This includes the shares offered under the balloted public offer portion, of which 50% are to be offered to Bumiputera investors. In the event that MITI is unable to allocate the shares to Bumiputera investors, the unsubscribed shares shall be offered to Bumiputera public investors via balloting.	To be complied
PIVB and XHH to fully comply with the requirements of the SC Equity Guidelines and Prospectus Guidelines pertaining to the implementation of the Listing.	Noted

The SC, had also via its letter dated 11 February 2015, noted the shareholding structure of XHH before and after the Listing, as follows:

Category of shareholder	Before the Listing		Upon completion of the Listing	
	No. of Shares	%	No. of Shares	%
Bumiputera				
- Individuals	2	33.33	2	*
- To be approved by MITI	-	-	18,218,000	10.12
- Public balloting	-	-	4,500,000	2.50
Total Bumiputera	2	33.33	22,718,002	12.62
Non-Bumiputera	4	66.67	157,281,998	87.38
TOTAL	**6**	**100.00**	**180,000,000**	**100.00**

Note:

* Negligible.

The Shariah Advisory Council of the SC had, via its letter dated 5 May 2015, classified our Shares as Shariah-compliant securities based on our pro forma financial information for the FYE 31 December 2014.

9.1.2 Approval from MITI

MITI had, via its letter dated 10 December 2014, taken note of and has no objection to our Listing.

9.1.3 Approval from Bursa Securities

Bursa Securities had, via its letter dated 3 June 2015, approved the admission of our Company to the Official List and the listing of and quotation for the entire enlarged issued and paid-up share capital of our Company of RM90,000,000 comprising 180,000,000 Shares on the Main Market.

The conditions imposed by Bursa Securities and the status of the compliance with these conditions are as follows:

Conditions	Status of compliance
Make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Practice Note 21 of the Listing Reqnirements. In this respect, XHH is advised to include the Stock Code, Stock Short Name and ISIN Code upon making the annonncement on timetable for IPO.	To be complied
Furnish Bursa Securities a copy of the schedule of distribution showing compliance to the share spread requirements based on the entire enlarged issued and paid-up share capital of XHH on the first day of listing.	To be complied

9.2 Moratorium on Our Shares

In accordance with the SC Equity Guidelines, our Promoters will not be allowed to sell, transfer or assign their entire shareholdings in our Company within six (6) months from the date of listing of our Company on the Main Market ("**Moratorium Period**").

Pursuant to the Share Transfer, NF Capital has provided an undertaking letter to the SC that they will not sell, transfer or assign their respective shareholdings under moratorium during the Moratorium Period, including all Shares, if any, issued to NF Capital during the Moratorium Period, in accordance with the SC Equity Guidelines.

The details of Shares to be held under moratorium are as follows:

	After the Share Transfer			
Shareholder	No. of Shares held	% of enlarged share capital*	No. of Shares to be held under moratorium	% of enlarged share capital*
NF Capital	125,999,998	70.00	125,999,998	70.00

Note:

* Based on the enlarged issued and paid-up share eapital of 180,000,000 Shares.

The shareholders of NF Capital, namely Ng Aik Chuan, Ng Yam Pin, Eng Peng Lam @ Ng Peng Lam and Abdul Rahman Bin Omar have also provided an undertaking letter to the SC that they will not sell, transfer or assign their respective shareholdings in NF Capital during the Moratorium Period.

The moratorium is specifically endorsed on the Shares certificates representing the shareholdings of NF Capital to ensure that our registrars do not register any transfer not in compliance with the moratorium restrictions.

10. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST

10.1 Existing and Proposed Related Party Transactions

Save for the Acquisitions and as disclosed below, our Group has not entered into any non-recurrent transactions with our related parties for the past four (4) financial years up to the FYE 31 December 2014 and up to the LPD:

Company / party	Related party	Nature of relationship	Nature of transaction	Transaction value for				
				<---------- FYE 31 December ---------->				As at the LPD
				2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	RM'000
Ng Aik Chuan and Ng Yam Pin	XHTT	Ng Aik Chuan and Ng Yam Pin, being our substantial shareholders and Directors, are also the substantial shareholders and directors of XHTT.	Disposal of property by our Group - XHTT	-	1,825	-	-	-
Universal Forwarding & Services - Singapore	Ng Aik Chuan	Ng Aik Chuan, being our substantial shareholder and Director, is also a partner of Universal Forwarding & Services - Singapore. However, Ng Aik Chuan has ceased to be a partner of Universal Forwarding & Services - Singapore on 30 June 2013.	Advances provided by our Group XHTT	363	-	-	-	-

10. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST

Save as disclosed below, our Group does not have any other existing and / or proposed recurrent related party transactions that are of revenue or trading in nature entered into between our Group and our related parties ("**Recurrent Transactions**") for the past four (4) financial years up to the FYE 31 December 2014 and up to the LPD:

Company / party	Related party	Nature of relationship	Nature of transaction	Transaction value for				
				<---------- FYE 31 December ---------->				As at the LPD
				2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	RM'000
Md Zaliszan Bin Ahmad Kusaini	XHTT	Md Zaliszan Bin Ahmad Kusaini was a substantial shareholder and a director of XHTT prior to the disposal of his shareholding in XHTT on 15 May 2013 and his resignation as a director of XHTT with effect from 26 June 2013.	Clearance and forwarding charges paid by our Group - XHTT		124	55	-	-
Pin Trading & Transport Agency	Ng Yam Pin	Ng Yam Pin, being our substantial shareholder and Director, is also the sole proprietor of Pin Trading & Transport Agency. However, Pin Trading & Transport Agency has been dissolved on 24 March 2014.	Purchase of spare parts by our Group - XHTT	64	-	-	-	-

10. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST *(Cont'd)*

Company / party	Related party	Nature of relationship	Nature of transaction	Transaction value for				
				<---------- FYE 31 December ---------->				As at the LPD
				2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	RM'000
Transformer Heavy Link Auto Sdn Bhd	Ng Aik Chuan and Ng Yam Pin	Ng Aik Chuan and Ng Yam Pin, being our substantial shareholders and Directors, are also the substantial shareholders and directors of Transformer Heavy Link Auto Sdn Bhd. However, Ng Aik Chuan and Ng Yam Pin have resigned from their designation as directors of Transformer Heavy Link Auto Sdn Bhd with effect from 26 June 2013. They have also disposed of their shareholdings in Transformer Heavy Link Auto Sdn Bhd on 26 June 2013.	Purchase of spare parts by our Group - XHTT	-	909	-	-	-
			Sales of spare parts, tyres and tubes by our Group - XHTT	-	3	1	-	-
			- XHAE	-	3	-	-	-
			Rental received by our Group - XHTT	-	7	-	-	-
Universal Forwarding & Services - Malaysia	Ng Aik Chuan	Ng Aik Chuan, being our substantial shareholder and Director, is also a partner of Universal Forwarding & Services - Malaysia. However, Universal Forwarding & Services – Malaysia has been dissolved on 15 September 2014.	Port, custom and freight forwarding charges paid by our Group - XHTT	1,140	81	-	-	-
			Rental of equipment paid by our Group - XHTT	220	-	-	-	-

10. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST *(Cont'd)*

Company / party	Related party	Nature of relationship	Nature of transaction	Transaction value for				
				<---------- FYE 31 December ---------->				As at the LPD
				2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	RM'000
Universal Forwarding & Services - Singapore	Ng Aik Chuan	Ng Aik Chuan, being our substantial shareholder and Director, is also a partner of Universal Forwarding & Services - Singapore. However, Ng Aik Chuan has ceased to be a partner of Universal Forwarding & Services - Singapore on 30 June 2013.	Services purchased by our Group - XHTT	-	917	237	-	-
XHP Ventures Sdn Bhd	Ng Aik Chuan and Ng Yam Pin	Ng Aik Chuan and Ng Yam Pin, being our substantial shareholders and Directors, are also the substantial shareholders and directors of XHP Ventures Sdn Bhd. However, Ng Aik Chuan and Ng Yam Pin have resigned from their designation as directors of XHP Ventures Sdn Bhd with effect from 26 June 2013. They have also disposed of their shareholdings in XHP Ventures Sdn Bhd on 26 June 2013.	Services rendered by our Group - XHTT	250	764	244	-	-

Our Directors are of the opinion that the above non-recurrent transactions would not give rise to any conflict of interest situation and were transacted on an arm's length basis and are based on terms which are not unfavourable to our Group.

Upon Listing, our Directors through the Audit Committee, will ensure that any related party transactions and Recurrent Transactions are carried out on an arm's length basis and are not prejudicial to our Group nor on terms more favourable to the related parties than those normally agreed with other customers or suppliers and are also not detrimental to our minority shareholders.

Our Directors and substantial shareholders are also not aware of any transactions that may give rise to conflict of interest situations between our Group and any of our Directors, substantial shareholders, key management and / or persons connected to them.

10.2 Interest in Similar Businesses

The interests, shareholdings and directorships / partnerships / proprietorships in other businesses of our Directors and substantial shareholders are disclosed in Section 8.2.3 of this Prospectus. To the best knowledge and belief of our Directors and substantial shareholders, none of our Directors or substantial shareholders or key management are interested, directly or indirectly in any business carrying on a similar trade as our Company and subsidiaries or which are the customers or suppliers of our Group as at the LPD.

10.3 Transactions that are Unusual in Their Nature or Condition

There are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which we or our Subsidiaries was a party in respect of the past four (4) financial years up to the FYE 31 December 2014 and the subsequent financial period thereof, immediately preceding the date of this Prospectus.

10.4 Loans Made to Related Parties

There are no outstanding loans (including guarantees of any kind) made by our Group to or for the benefit of related parties in respect of the past four (4) financial years up to the FYE 31 December 2014 and the subsequent financial period thereof, immediately preceding the date of this Prospectus.

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10.5 Declaration by Advisers on Conflicts of Interest

10.5.1 PIVB

PIVB is a wholly-owned subsidiary of Public Bank Berhad ("**PBB**") and PBB, has in its ordinary course of business, granted credit facilities to XHTT of RM11.85 million. As at the LPD, the outstanding balance of the total credit facilities extended by PBB to XHTT is approximately RM8.94 million. Notwithstanding that, PIVB is of the view that the aforementioned extension of credit facilities does not result in a conflict of interest situation as the outstanding balance of the total credit facilities granted to XHTT by PBB, which represents 0.03% of the net assets of PBB as at 31 December 2014, is considered immaterial.

PIVB hereby confirms that there is no material conflict of interest in its capacity as the Principal Adviser, Sole Underwriter and Sole Placement Agent in respect of our IPO and that the abovementioned relationship with our Group does not give rise to a material conflict of interest situation due to the following reasons:

(i) PIVB's role as the Principal Adviser for our IPO has been carried out professionally and objectively in accordance with the relevant terms of the due diligence planning memorandum. The due diligence processes and the verification exercises (which were participated by our Directors and senior management, our Reporting Accountants, our solicitors, PIVB and other relevant advisers) have been duly undertaken and performed in relation to the preparation of relevant documents relating to our IPO;

(ii) the exposure of the credit facilities to the consolidated shareholders' funds of PBB is insignificant;

(iii) none of the proceeds raised from our IPO are allocated for the repayment of bank borrowings by our Group to PBB; and

(iv) PIVB does not receive or derive any financial interest or benefit from our IPO other than the normal advisory fee, underwriting commission and placement fees charged.

10.5.2 Messrs. Crowe Horwath

Messrs. Crowe Horwath has confirmed that there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants in respect of our IPO.

10.5.3 Messrs. Jeff Leong, Poon & Wong

Messrs. Jeff Leong, Poon & Wong has confirmed that there is no existing or potential conflict of interest in its capacity as the Solicitors in respect of our IPO.

10.5.4 Protégé Associates Sdn Bhd

Protégé Associates Sdn Bhd has confirmed that there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher in respect of our IPO.

10.5.5 KGV International Property Consultants (Johor) Sdn Bhd

KGV International Property Consultants (Johor) Sdn Bhd has confirmed that there is no existing or potential conflict of interest in its capacity as the Independent Valuer in respect of our IPO.

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION

Our pro forma financial information have been compiled based on the basis and accounting policies consistent with those currently adopted by our Group which are set out in the notes and assumptions included in the Reporting Accountants' Letter on the Compilation of Pro Forma Financial Information as set out in Section 11.4 of this Prospectus. The financial statements used in the preparation of our pro forma financial information were prepared in accordance with the Malaysian Financial Reporting Standards. Any adjustments which were dealt with when preparing our pro forma financial information have been highlighted and disclosed in Section 11.4 of this Prospectus. There has been no audit qualification on our audited financial statements for the past four (4) financial years up to the FYE 31 December 2014.

11.1 Pro Forma Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following pro forma consolidated statements of profit or loss and other comprehensive income of our Group for the past four (4) financial years up to the FYE 31 December 2014 have been derived from the Accountants' Report in Section 13 of this Prospectus. The table below sets out our pro forma consolidated statements of profit or loss and other comprehensive income which have been prepared for illustrative purposes only based on the audited financial statements of the companies in our Group and on the assumption that the current structure of our Group has been in existence throughout the financial years under review.

The pro forma consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the Reporting Accountants' Letter on the Compilation of Pro Forma Financial Information as set out in Section 11.4 of this Prospectus.

	FYE 31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Revenue	74,435	91,217	97,895	110,633
Cost of sales	(56,172)	(62,704)	(66,993)	(73,144)
GP	18,263	28,513	30,902	37,489
Other income	985	754	286	294
	19,248	29,267	31,188	37,783
Selling and distribution expenses	(656)	(531)	(507)	(649)
Administrative expenses	(9,260)	(12,091)	(13,666)	(16,735)
Profit from operations	9,332	16,645	17,015	20,399
Finance costs	(744)	(1,388)	(1,236)	(1,979)
PBT	8,588	15,257	15,779	18,420
Income tax expense	(2,257)	(2,474)	(1,793)	(2,564)
PAT	6,331	12,783	13,986	15,856
Other comprehensive income				
- Item that will not be reclassified subsequently to profit or loss				
- Revaluation of properties	-	-	18,139	-
- Items that may be reclassified subsequently to profit or loss				
- Fair value changes of available-for-sale financial assets	(28)	9	12	-
- Realisation of fair value reserve upon disposal of available-for-sale financial assets	-	-	-	5
Total comprehensive income	6,303	12,792	32,137	15,861

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION *(Cont'd)*

	FYE 31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
PAT attributable to:				
- Owners of the Company	6,334	12,685	13,876	15,754
- Holders of NCI	(3)	98	110	102
	6,331	12,783	13,986	15,856
Total comprehensive income attributable to:				
- Owners of the Company	6,306	12,694	32,027	15,759
- Holders of NCI	(3)	98	110	102
	6,303	12,792	32,137	15,861
GP margin (%)	24.54	31.26	31.57	33.89
PBT margin (%)	11.54	16.73	16.12	16.65
PAT margin (%)	8.51	14.01	14.29	14.33
Effective tax rate (%)	26.28	16.22	11.36	13.92
EBITDA	13,688	19,319	20,811	24,482
Earnings before interest and tax	9,328	16,643	17,010	20,366
Interest coverage (times)	12.54	11.99	13.76	10.29
Assumed number of ordinary shares in issue of RM0.50 each* ('000)	142,218	142,218	142,218	142,218
- Gross EPS** (sen)	6.04	10.73	11.09	12.95
- Net EPS** (sen)	4.45	8.92	9.76	11.08
Enlarged number of ordinary shares in issue of RM0.50 each^ ('000)	180,000	180.000	180,000	180,000
- Gross EPS^^ (sen)	4.77	8.48	8.77	10.23
- Net EPS^^ (sen)	3.52	7.05	7.71	8.75

Notes:

* Assumed number of ordinary shares in issue arrived at based on the issued and fully paid-up capital after the Acquisitions but before the Public Issue.

** The gross EPS and net EPS were computed by dividing the PBT and PAT attributable to owners of the Company respectively by the assumed number of ordinary shares in issue during the relevant financial years.

^ Enlarged number of ordinary shares in issue after the Public Issue.

^^ The gross EPS and net EPS were computed by dividing the PBT and PAT attributable to owners of the Company respectively by the enlarged number of ordinary shares in issue during the relevant financial years.

11.2 Pro Forma Consolidated Statements of Financial Position

The following is the pro forma consolidated statements of financial position as at 31 December 2014 which is presented for illustrative purposes only to show the effects on the pro forma consolidated statements of financial position of our Group had the Listing Exercise been completed on that date and that the current structure of our Group has been in existence throughout the financial year under review.

	Audited as at 31 December 2014 RM'000	Pro forma I After Acquisitions RM'000	Pro forma II After Pro forma I, Public Issue and utilisation of listing proceeds RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	-	112,235	128,340
	-	112,235	128,340
Current Assets			
Inventories	-	775	775
Trade receivables	-	25,657	25,657
Other reeeivables, deposits and prepayment	1,392	3,770	3,770
Tax recoverable	-	1,406	1,406
Fixed deposits with licensed bank	-	22	22
Cash and bank balanees	*	8,204	11,285
	1,392	39,834	42,915
TOTAL ASSETS	1,392	152,069	171,255
EQUITY AND LIABILITIES			
Equity			
Share capital	*	71,109	90,000
Share premium	-	-	6,529
Merger defieit	-	(68,979)	(68,979)
Revaluation reserve	-	18,139	18,139
(Aecumulated losses) / Retained profits	(247)	65,964	63,480
Equity attributable to:			
- Owners of the Company	(247)	86,233	109,169
- NCI	-	377	377
TOTAL EQUITY	(247)	86,610	109,546

	Audited as at 31 December 2014 RM'000	Pro forma I After Acquisitions RM'000	Pro forma II After Pro forma I, Public Issue and utilisation of listing proceeds RM'000
Non-Current Liabilities			
Deferred tax liabilities	-	4,471	4,471
Long-term borrowings	-	34,456	30,706
	-	38,927	35,177
Current Liabilities			
Trade payables	-	8,571	8,571
Other payables and accruals	1,639	7,506	7,506
Short-term borrowings	-	10,425	10,425
Tax payable	-	30	30
	1,639	26,532	26,532
Total Liabilities	1,639	65,459	61,709
TOTAL EQUITY AND LIABILITIES	1,392	152,069	171,255
Number of ordinary shares assumed in issue at par value of RM0.50 each ('000)	^	142,218	180,000
(NL) / NA (RM'000)	(247)	86,233	109,169
(NL) / NA per Share (RM)	(41,166.67)	0.61	0.61

Notes:

* Less than RM500.

^ Represents six (6) Shares.

Our pro forma consolidated statements of financial position should be read in conjunction with the Reporting Accountants' Letter on the Compilation of Pro Forma Financial Information as set out in Section 11.4 of this Prospectus.

11.3 Pro Forma Consolidated Statement of Cash Flows

The following is our pro forma consolidated statement of cash flows for the FYE 31 December 2014 which has been prepared for illustrative purposes only on the assumption that the current structure of our Group has been in existence throughout the financial year under review. The pro forma consolidated statement of cash flows of our Group has been prepared before taking into account the proceeds from the Public Issue and the utilisation of proceeds from the Public Issue.

Our pro forma consolidated statement of cash flows should be read in conjunction with the Reporting Accountants' Letter on the Compilation of Pro Forma Financial Information as set out in Section 11.4 of this Prospectus.

	FYE 31 December 2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
PBT	18,420
Adjustments for:	
Allowance for impairment losses on trade receivables	17
Depreciation of property, plant and equipment	4,116
Interest expenses	1,958
Interest income	(33)
Loss on disposal of property, plant and equipment	1
Property, plant and equipment written off	1
Operating profit before working capital changes	24,480
Decrease in inventories	481
Increase in trade and other receivables	(3,322)
Decrease in trade and other payables	(1,855)
CASH FROM OPERATIONS	19,784
Income tax paid	(2,648)
Income tax refund	1,274
Interest paid	(1,958)
NET CASH FROM OPERATING ACTIVITIES	16,452
CASH FLOWS FOR INVESTING ACTIVITIES	
Interest received	33
Proceeds from allotment of new ordinary shares	*
Proceeds from disposal of available-for-sale financial asset	500
Proceeds from disposal of property, plant and equipment	*
Purchase of property, plant and equipment	(33,602)
NET CASH FOR INVESTING ACTIVITIES	(33,069)
BALANCE CARRIED FORWARD	(16,617)

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION *(Cont'd)*

	FYE 31 December 2014 RM'000
BALANCE BROUGHT FORWARD	(16,617)
CASH FLOWS FROM FINANCING ACTIVITIES	
Drawdown of term loans	22,078
Net drawdown of bankers' acceptance	237
Net repayment of hire purchase payables	(415)
Repayment of term loans	(3,323)
NET CASH FROM FINANCING ACTIVITIES	18,577
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,960
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	5,555
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	7,515

Note:

* Less than RM500.

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11.4 Reporting Accountants' Letter on the Compilation of Pro Forma Financial Information

(Prepared for inclusion in this Prospectus)

Crowe Horwath.

Crowe Horwath AF 1018
Chartered Accountants
Member Crowe Horwath International

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www.crowehorwath.com.my
info.jb@crowehorwath.com.my

21 April 2015

The Board of Directors
Xin Hwa Holdings Berhad
No 2, Jalan Permatang 2
Kempas Baru
81200 Johor Bahru
Johor Darul Takzim

Dear Sirs

PRO FORMA FINANCIAL INFORMATION
INITIAL PUBLIC OFFERING AND PROPOSED LISTING OF 180,000,000 SHARES OF XIN HWA HOLDINGS BERHAD ("XHH" OR "THE COMPANY") ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES")

We have completed our assurance engagement to report on the compilation of pro forma financial information of XHH and its subsidiaries ("the Group") by the Board of Directors for inclusion in the Prospectus to be issued in connection with the proposed listing of and quotation for the entire issued and paid-up share capital of XHH on the Main Market of Bursa Securities ("the Proposal"). The pro forma financial information (which we have stamped for the purpose of identification) consists of:-

a) the pro forma consolidated statements of profit or loss and other comprehensive income for the financial years ended 31 December 2011 to 31 December 2014;

b) the pro forma consolidated statements of financial position as at 31 December 2014;

c) the pro forma consolidated statement of cash flows for the financial year ended 31 December 2014; and

d) the related notes as set out in the accompanying statements.

The applicable criteria on the basis of which the Board of Directors has compiled the pro forma financial information are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and set out in Section 1.2 of the pro forma financial information.

The pro forma financial information has been compiled by the Board of Directors to illustrate:-

a) the Group's financial performance for the financial years ended 31 December 2011 to 31 December 2014 as if the Group had been in existence throughout these financial years;

b) the impact of the events or transactions set out in Section 1.2 on the Group's financial position as at 31 December 2014; and

c) the Group's cash flows for the financial year ended 31 December 2014 as if the Group had been in existence throughout the financial year.

Crowe Horwath.

As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Board of Directors from the Group's financial statements for the financial years ended 31 December 2011 to 31 December 2014, on which audit reports have been published.

Directors' Responsibility for the Pro Forma Financial Information

The Board of Directors is solely responsible for compiling the pro forma financial information on the basis set out in Section 1.2 of the pro forma financial information and in accordance with the requirements of the Prospectus Guidelines.

Our Responsibilities

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the pro forma financial information has been compiled, in all material respects, by the Board of Directors on the basis set out in Section 1.2 of the pro forma financial information and in accordance with the requirements of the Prospectus Guidelines.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the pro forma financial information on the basis set out in Section 1.2 of the pro forma financial information and in accordance with the requirements of the Prospectus Guidelines.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis set out in Section 1.2 of the pro forma financial information and in accordance with the requirements of the Prospectus Guidelines involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

Crowe Horwath

- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma financial information has been compiled, in all material respects, on the basis set out in Section 1.2 of the pro forma financial information and in accordance with the requirements of the Prospectus Guidelines.

Other Matters

We understand that this letter will be used solely for the purpose of inclusion in the Prospectus in connection with the Proposal. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Tan Lin Chun
Approval No: 2839/10/15 (J)
Chartered Accountant

Johor Bahru

XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION

1. PRO FORMA GROUP AND BASIS OF PREPARATION

1.1 Pro Forma Group

The pro forma financial information of the Group comprising the financial information of the following companies, are presented for the purpose of illustration only:-

(a) XHH
(b) Xin Hwa Trading & Transport Sdn Bhd ("XHTT")
(c) Xin Hwa Auto Engineering Sdn Bhd ("XHAE")
(d) Canggih Logistik Sdn Bhd ("Canggih")
(e) XH Universal Forwarding Sdn Bhd ("XHUF")

The relevant financial periods of the Group for the purpose of this report ("Relevant Financial Period") are as follows:-

Company	Relevant financial periods
XHH	FPE from 18 January 2013 (date of incorporation) to 31 December 2013 *
	FYE 31 December 2014 *
XHTT	FYE 31 December 2011 #
	FYE 31 December 2012 #
	FYE 31 December 2013 *
	FYE 31 December 2014 *
XHAE	FYE 31 August 2011 #
	FPE from 1 September 2011 to 31 December 2012 #
	FYE 31 December 2013 *
	FYE 31 December 2014 *

Notes:
 # – Prepared in accordance with the Private Entity Reporting Standards in Malaysia
** – Prepared in accordance with the Malaysian Financial Reporting Standards*
FYE – Financial year ended
FPE – Financial period ended

XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

1. PRO FORMA GROUP AND BASIS OF PREPARATION (CONT'D)

1.1 Pro Forma Group (Cont'd)

The relevant financial periods of the Group for the purpose of this report ("Relevant Financial Period") are as follows (Cont'd):-

Company	Relevant financial periods
Canggih	FYE 31 December 2011 #
	FYE 31 December 2012 #
	FYE 31 December 2013 *
	FYE 31 December 2014 *
XHUF	FPE from 22 August 2011 (date of incorporation) to 31 December 2011 #
	FYE 31 December 2012 #
	FYE 31 December 2013 *
	FYE 31 December 2014 *

Notes:
 # – Prepared in accordance with the Private Entity Reporting Standards in Malaysia
** – Prepared in accordance with the Malaysian Financial Reporting Standards*
FPE – Financial period ended
FYE – Financial year ended

The pro forma financial information of the Group is prepared on the assumption that the Group had been in existence throughout the FYE 31 December 2011 to 31 December 2014. The pro forma financial information comprises the following:-

Section 2 - Pro Forma Consolidated Statements of Profit or Loss and Other Comprehensive Income for the Relevant Financial Period;

Section 3 - Pro Forma Consolidated Statements of Financial Position as at 31 December 2014; and

Section 4 - Pro Forma Consolidated Statement of Cash Flows for the FYE 31 December 2014.

All amounts are presented in Ringgit Malaysia ("RM").

XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

1. PRO FORMA GROUP AND BASIS OF PREPARATION (CONT'D)

1.2 Basis of Preparation

The pro forma financial information of the Group is prepared based on the audited financial statements of XHH, XHTT, XHAE, Canggih and XHUF for the Relevant Financial Period.

The financial statements used in the preparation of this letter for the financial years/periods were not subject to any audit qualification or emphasis of matter.

The pro forma financial information has been prepared in accordance with Malaysian Financial Reporting Standards and, bases and accounting policies consistent with those to be adopted by the Group after incorporating adjustments that are appropriate for the preparation of the pro forma financial information.

The pro forma financial information has been prepared using the merger method. Under the merger method,

(i) if the cost of merger is lower than the nominal value of the share capital of the subsidiaries acquired, a credit balance will arise and be treated as merger reserve under the pro forma consolidated statements of financial position.

(ii) If the cost of merger exceeds the nominal value of the share capital of the subsidiaries acquired, a debit balance will arise and be treated as merger deficit under the pro forma consolidated statements of financial position.

The pro forma financial information has been prepared solely to illustrate:-

(i) the financial results of the Group for the FYE 31 December 2011 to 31 December 2014 on the assumption that the Group had been in existence throughout the Relevant Financial Period;

(ii) the pro forma consolidated statements of financial position of the Group as at 31 December 2014 which incorporate the effects of the listing scheme as described below had the scheme been implemented; and

(iii) the cash flows of the Group for the FYE 31 December 2014 on the assumption that the Group structure had been in place since the beginning of the financial year.

XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

1. PRO FORMA GROUP AND BASIS OF PREPARATION (CONT'D)

1.2 Basis of Preparation (Cont'd)

The listing scheme comprises the following:

(i) Acquisition of Subsidiaries

(a) Acquisition by XHH of the entire equity interest of XHTT for a purchase consideration of RM65,216,997 to be satisfied by the issuance of 130,433,994 new ordinary shares of RM0.50 each in XHH ("Shares") at par value.

(b) Acquisition by XHH of the entire equity interest of XHAE for a purchase consideration of RM2,364,000 to be satisfied by the issuance of 4,728,000 new Shares at par value.

(c) Acquisition by XHH of the entire equity interest of Canggih for a purchase consideration of RM3,409,000 to be satisfied by the issuance of 6,818,000 new Shares at par value.

(d) Acquisition by XHH of 30% equity interest of XHUF for a purchase consideration of RM119,000 to be satisfied by the issuance of 238,000 new Shares at par value.

(ii) Public Issue

The Public Issue of 37,782,000 new Shares, representing approximately 20.99% of the enlarged issued and paid-up share capital of XHH at an indicative issue price of RM0.70 per Share to be allocated in the following manner:

- 9,000,000 new Shares available for application by the Malaysian public;
- 3,000,000 new Shares available for application by the eligible directors, employees and other persons who have contributed to the success of the Group;
- 2,000,000 new Shares available for application by Bumiputera investors approved by the Ministry of International Trade and Industry, Malaysia ("MITI"); and
- 23,782,000 new Shares available for application by way of private placement to selected investors.

XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

1. PRO FORMA GROUP AND BASIS OF PREPARATION (CONT'D)

1.2 Basis of Preparation (Cont'd)

The listing scheme comprises the following (Cont'd):

(iii) Offer for Sale

The Offer for Sale of 16,218,000 Shares representing approximately 9.01% of the enlarged issued and paid-up share capital of XHH at an indicative offer price of RM0.70 per Share by way of placement to Bumiputera investors approved by MITI.

(iv) Share Transfer

Upon completion of the Public Issue and Offer for Sale, the Promoters will hold an aggregate of 125,999,998 Shares. During the prescription period, the Promoters will transfer 125,999,998 Shares to NF Capital Management Sdn Bhd ("NF Capital"), a private holding company, at a consideration of RM62,999,999 to be satisfied partly by the issuance of 99,899 new ordinary shares of RM1.00 each in NF Capital to be issued at par and the remaining balance of RM62,900,100 will remain as an amount owing from NF Capital to the Promoters.

(v) Listing

The admission and the listing of and quotation for the entire enlarged issued and paid-up share capital of RM90,000,000 comprising 180,000,000 Shares on the Main Market of Bursa Securities will be sought.

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Stamped For Identification Purposes Only
Crowe Horwath.
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XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

2. PRO FORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE GROUP

		Financial year ended 31 December			
	Note	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Revenue		74,435	91,217	97,895	110,633
Cost of sales		(56,172)	(62,704)	(66,993)	(73,144)
Gross profit ("GP")		18,263	28,513	30,902	37,489
Other income	2.1	985	754	286	294
		19,248	29,267	31,188	37,783
Selling and distribution expenses		(656)	(531)	(507)	(649)
Administrative expenses		(9,260)	(12,091)	(13,666)	(16,735)
Profit from operations		9,332	16,645	17,015	20,399
Finance costs		(744)	(1,388)	(1,236)	(1,979)
Profit before taxation ("PBT")		8,588	15,257	15,779	18,420
Income tax expense	2.2	(2,257)	(2,474)	(1,793)	(2,564)
Profit after taxation ("PAT")		6,331	12,783	13,986	15,856
Other comprehensive income					
- Item that will not be reclassified subsequently to profit or loss					
- Revaluation of properties		-	-	18,139	-
- Items that may be reclassified subsequently to profit or loss					
- Fair value changes of available-for-sale financial assets		(28)	9	12	-
- Realisation of fair value reserve upon disposal of available-for-sale financial assets		-	-	-	5
Total comprehensive income		6,303	12,792	32,137	15,861

XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

2. PRO FORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE GROUP (CONT'D)

		Financial year ended 31 December			
	Note	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
PAT attributable to:-					
Owners of the Company		6,334	12,685	13,876	15,754
Holders of non-controlling interests		(3)	98	110	102
		6,331	12,783	13,986	15,856
Total comprehensive income attributable to:-					
Owners of the Company		6,306	12,694	32,027	15,759
Holders of non-controlling interests		(3)	98	110	102
		6,303	12,792	32,137	15,861
GP margin (%)		24.54	31.26	31.57	33.89
PBT margin (%)		11.54	16.73	16.12	16.65
PAT margin (%)		8.51	14.01	14.29	14.33
Effective tax rate (%)		26.28	16.22	11.36	13.92
Earnings before interest, tax, depreciation and amortisation ("EBITDA") (RM'000)		13,688	19,319	20,811	24,482
Earnings before interest and tax ("EBIT") (RM'000)		9,328	16,643	17,010	20,366
Interest coverage (times)		12.54	11.99	13.76	10.29
Assumed number of ordinary shares in issue of RM0.50 each ('000)		142,218	142,218	142,218	142,218
- Gross earnings per share ("EPS") (sen)		6.04	10.73	11.09	12.95
- Net EPS (sen)		4.45	8.92	9.76	11.08
Enlarged number of ordinary shares in issue of RM0.50 each ('000)		180,000	180,000	180,000	180,000
- Gross earnings per share ("EPS") (sen)		4.77	8.48	8.77	10.23
- Net EPS (sen)		3.52	7.05	7.71	8.75

XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

2. PRO FORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE GROUP (CONT'D)

The pro forma consolidated statements of profit or loss and other comprehensive income of the Group for the FYE 31 December 2011 to 31 December 2014 have been prepared for illustrative purposes only and after incorporating such adjustments as considered necessary and assuming that the Group had been in existence throughout the financial years under review.

Notes to the Pro Forma Consolidated Statements of Profit or Loss and Other Comprehensive Income

(a) The GP margin is computed by dividing the GP by revenue earned in the respective financial years.

(b) The PBT margin is computed by dividing the PBT by revenue earned in the respective financial years.

(c) The PAT margin is computed by dividing the PAT by revenue earned in the respective financial years.

(d) The interest coverage is computed by dividing the EBIT by the finance cost incurred in the respective financial years.

(e) The gross EPS for assumed number of ordinary shares in issue is computed by dividing the PBT by the assumed number of ordinary shares in issue of 142,218,000 Shares after the Acquisition of Subsidiaries.

(f) The net EPS for assumed number of ordinary shares in issue is computed by dividing the PAT attributable to owners of the Company by the assumed number of ordinary shares in issue of 142,218,000 Shares after the Acquisition of Subsidiaries.

(g) The gross EPS for the enlarged number of ordinary shares is computed by dividing the PBT by the enlarged number of ordinary shares in issue of 180,000,000 Shares after Public Issue.

(h) The net EPS for the enlarged number of ordinary shares is computed by dividing the PAT attributable to owners of the Company by the enlarged number of ordinary shares in issue of 180,000,000 Shares after Public Issue.

XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

2. PRO FORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE GROUP (CONT'D)

Notes to the Pro Forma Consolidated Statements of Profit or Loss and Other Comprehensive Income (Cont'd)

(i) All significant inter-company transactions are eliminated on consolidation and the consolidated results reflect external transactions only.

(j) No diluted earnings per share is shown as there were no potential dilutive shares in issue during the financial years under review.

(k) There was no share of profits of joint ventures or associates.

2.1 Other Income

The other income includes, among others, the following:-

	Financial year ended 31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Bad debts recovered	-	2	3	-
Claims from damages	-	-	-	206
Gain on disposal of investment property	-	166	-	-
Gain on disposal of property, plant and equipment	219	227	80	-
Gain on foreign exchange - realised	-	24	-	-
Gain on foreign exchange - unrealised	2	19	-	-
Gain on trading sale of prime movers	659	260	150	24
Interest income	4	2	5	33
Other income	*	8	31	12
Rental income	-	7	17	19
Reversal of impairment losses on trade receivables	101	39	-	-
	985	754	286	294

Note:-
* - *Less than RM500*

XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

2. PRO FORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE GROUP (CONT'D)

2.2 Income Tax Expense

	Financial year ended 31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Current tax expense:				
- for the financial year	2,489	2,133	2,027	1,628
- under/(over) provision in the previous financial year	(54)	31	(1,006)	(13)
	2,435	2,164	1,021	1,615
Deferred tax expense:				
- for the financial year	(178)	310	606	1,056
- effect of proposed change in income tax rate rate from 25% to 24%	-	-	-	(188)
- (over)/under provision in the previous financial year	-	(*)	166	81
	(178)	310	772	949
Total tax expense	2,257	2,474	1,793	2,564

Note:-
* - *Less than RM500*

XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

2. PRO FORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE GROUP (CONT'D)

2.2 Income Tax Expense (Cont'd)

	Financial year ended 31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
PBT	8,588	15,257	15,779	18,420
Tax at the statutory tax rate of 25%	2,147	3,814	3,945	4,605
Tax effects of:				
Non-deductible expenses	267	219	274	371
Non-taxable income	(34)	(1)	(1)	(1)
Tax incentive	-	(1,505)	(1,521)	(2,229)
Effect of proposed change in corporate income tax rate from 25% to 24%	-	-	-	(188)
Under/(Over) provision of income tax in the previous financial year	(54)	31	(1,006)	(13)
(Over)/Under provision of deferred tax in the previous financial year	-	(*)	166	81
Differential of tax rate for the first RM500,000	(65)	(84)	(64)	(62)
Others	(4)	-	-	-
	2,257	2,474	1,793	2,564

Notes:-
XHTT has been granted investment tax allowance of 60% in respect of qualifying capital expenditure incurred for a period of 5 years from 18 March 2011 until 17 March 2016.

* - *Less than RM500*

XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES
PRO FORMA FINANCIAL INFORMATION (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2014

	Note	XHH Audited as at 31 December 2014 RM'000	** Adjustment for the Acquisition of Subsidiaries RM'000	Pro Forma I After the Acquisition of Subsidiaries RM'000	Adjustment for Public Issue and Utilisation of Proceeds RM'000	Pro Forma II After Pro Forma I, Public Issue and Utilisation of Proceeds RM'000
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	3.3	-	112,235	112,235	16,105	128,340
		-		112,235		128,340
CURRENT ASSETS						
Inventories		-	775	775	-	775
Trade receivables		-	25,657	25,657	-	25,657
Other receivables, deposits and prepayment		1,392	2,378	3,770	-	3,770
Tax recoverable		-	1,406	1,406	-	1,406
Fixed deposits with licensed banks		-	22	22	-	22
Cash and bank balances	3.4	*	8,204	8,204	3,081	11,285
		1,392		39,834		42,915
TOTAL ASSETS		1,392		152,069		171,255

XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2014 (CONT'D)

	Note	XHH Audited as at 31 December 2014 RM'000	** Adjustment for the Acquisition of Subsidiaries RM'000	Pro Forma I After the Acquisition of Subsidiaries RM'000	Adjustment for Public Issue and Utilisation of Proceeds RM'000	Pro Forma II After Pro Forma I, Public Issue and Utilisation of Proceeds RM'000
EQUITY AND LIABILITIES						
EQUITY						
Share capital	3.5	*	71,109	71,109	18,891	90,000
Share premium	3.6	-	-	-	6,529	6,529
Merger deficit	3.7	-	(68,979)	(68,979)	-	(68,979)
Revaluation reserve		-	18,139	18,139	-	18,139
(Accumulated losses)/Retained profits	3.8	(247)	66,211	65,964	(2,484)	63,480
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		(247)	-	86,233	-	109,169
NON-CONTROLLING INTERESTS		-	377	377	-	377
TOTAL EQUITY		(247)		86,610		109,546
NON-CURRENT LIABILITIES						
Deferred tax liabilities		-	4,471	4,471	-	4,471
Long-term borrowings	3.9	-	34,456	34,456	(3,750)	30,706
		-		38,927		35,177

XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2014 (CONT'D)

	Note	XHH Audited as at 31 December 2014 RM'000	** Adjustment for the Acquisition of Subsidiaries RM'000	Pro Forma I After the Acquisition of Subsidiaries RM'000	Adjustment for Public Issue and Utilisation of Proceeds RM'000	Pro Forma II After Pro Forma I, Public Issue and Utilisation of Proceeds RM'000
CURRENT LIABILITIES						
Trade payables		-	8,571	8,571	-	8,571
Other payables and accruals		1,639	5,867	7,506	-	7,506
Short-term borrowings		-	10,425	10,425	-	10,425
Tax payable		-	30	30	-	30
		1,639		26,532		26,532
TOTAL LIABILITIES		1,639		65,459		61,709
TOTAL EQUITY AND LIABILITIES		1,392		152,069		171,255
Weighted average number of ordinary shares		^		142,218		180,000
(Net liabilities)/Net assets ("(NL)/NA") (RM'000)		(247)		86,233		109,169
(NL)/NA per ordinary share (RM)		(41,166.67)		0.61		0.61

Notes:-

* - *Less than RM500*

^ - *Represents 6 Shares*

** - *Details of adjustments are set out in Section 3.1 of this report*

XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2014 (CONT'D)

3.1 Pro Forma I

The details of Adjustments for the Acquisition of Subsidiaries are as follows:-

	Adjustment for Acquisition of Subsidiaries							
	XHTT RM'000	XHAE RM'000	Canggih RM'000	XHUF RM'000	XHH RM'000	Total RM'000	Adjustments for inter-company elimination RM'000	Pro Forma A Total RM'000
ASSETS								
Non-Current Assets								
Property, plant and equipment	112,287	121	343	12	-	112,763	(528)	112,235
	112,287	121	343	12	-	112,763		112,235
Current Assets								
Inventories	-	775	-	-	-	775	-	775
Trade receivables	25,548	998	3,479	713	-	30,738	(5,081)	25,657
Other receivables, deposits and prepayment	2,906	1,098	-	9	1,392	5,405	(1,635)	3,770
Tax recoverable	1,348	58	-	-	-	1,406	-	1,406
Fixed deposits with licensed banks	22	-	-	-	-	22	-	22
Cash and bank balances	8,108	87	6	3	*	8,204	-	8,204
	37,932	3,016	3,485	725	1,392	46,550		39,834
Total Assets	150,219	3,137	3,828	737	1,392	159,313		152,069

XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2014 (CONT'D)

3.1 Pro Forma I (Cont'd)

The details of Adjustments for the Acquisition of Subsidiaries are as follows (Cont'd):-

	Adjustment for Acquisition of Subsidiaries							
	XHTT RM'000	XHAE RM'000	Canggih RM'000	XHUF RM'000	XHH RM'000	Total RM'000	Adjustments for inter-company elimination RM'000	Pro Forma A Total RM'000
EQUITY AND LIABILITIES								
Equity								
Share capital	1,000	100	1,000	100	*	2,200	(70)	2,130
Revaluation reserve	18,139	-	-	-	-	18,139	-	18,139
Retained profits/(Accumulated losses)	61,528	2,303	2,777	438	(247)	66,799	(835)	65,964
Equity attributable to owners of the Company	80,667	2,403	3,777	538	(247)	87,138		86,233
Non-controlling interests	-	-	-	-	-	-	377	377
Total Equity	80,667	2,403	3,777	538	(247)	87,138		86,610
Non-Current Liabilities								
Deferred tax liabilities	4,455	4	9	3	-	4,471	-	4,471
Long-term borrowings	34,456	-	-	-	-	34,456	-	34,456
	38,911	4	9	3	-	38,927		38,927

XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2014 (CONT'D)

3.1 Pro Forma I (Cont'd)

The details of Adjustments for the Acquisition of Subsidiaries are as follows (Cont'd):-

	Adjustment for Acquisition of Subsidiaries							
	XHTT RM'000	XHAE RM'000	Canggih RM'000	XHUF RM'000	XHH RM'000	Total RM'000	Adjustments for inter-company elimination RM'000	Pro Forma A Total RM'000
Current Liabilities								
Trade payables	13,372	165	-	115	-	13,652	(5,081)	8,571
Other payables and accruals	6,844	565	17	76	1,639	9,141	(1,635)	7,506
Short-term borrowings	10,425	-	-	-	-	10,425	-	10,425
Tax payable	-	-	25	5	-	30	-	30
	30,641	730	42	196	1,639	33,248		26,532
Total Liabilities	69,552	734	51	199	1,639	72,175		65,459
Total Equity and Liabilities	150,219	3,137	3,828	737	1,392	159,313		152,069

Note:-
* - *Less than RM500*

XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2014 (CONT'D)

3.1 Pro Forma I (Cont'd)

		← Adjustment for Acquisition of Subsidiaries (Cont'd) →	
	Pro Forma A Total RM'000	**Effect of Acquisition of Subsidiaries RM'000**	**Pro Forma B After Pro Forma A and Effect of Acquisition of Subsidiaries RM'000**
ASSETS			
Non-Current Assets			
Property, plant and equipment	112,235	-	112,235
	112,235	-	112,235
Current Assets			
Inventories	775	-	775
Trade receivables	25,657	-	25,657
Other receivables, deposits and prepayment	3,770	-	3,770
Tax recoverable	1,406	-	1,406
Fixed deposits with licensed banks	22	-	22
Cash and bank balances	8,204	-	8,204
	39,834	-	39,834
Total Assets	152,069	-	152,069

XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2014 (CONT'D)

3.1 Pro Forma I (Cont'd)

		← Adjustment for Acquisition of Subsidiaries (Cont'd) →	
	Pro Forma A Total RM'000	**Effect of Acquisition of Subsidiaries**	**Pro Forma B After Pro Forma A and Effect of Acquisition of Subsidiaries RM'000**
EQUITY AND LIABILITIES			
Equity			
Share capital	2,130	68,979	71,109
Merger deficit	-	(68,979)	(68,979)
Revaluation reserve	18,139	-	18,139
Retained profits	65,964	-	65,964
Equity attributable to owners of the Company	86,233	-	86,233
Non-controlling interests	377	-	377
Total Equity	86,610	-	86,610
Non-Current Liabilities			
Deferred tax liabilities	4,471	-	4,471
Long-term borrowings	34,456	-	34,456
	38,927	-	38,927

XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2014 (CONT'D)

3.1 Pro Forma I (Cont'd)

		← Adjustment for Acquisition of Subsidiaries (Cont'd) →	
	Pro Forma A Total RM'000	**Effect of Acquisition of Subsidiaries**	**Pro Forma B After Pro Forma A and Effect of Acquisition of Subsidiaries RM'000**
Current Liabilities			
Trade payables	8,571	-	8,571
Other payables and accruals	7,506	-	7,506
Short-term borrowings	10,425	-	10,425
Tax payable	30	-	30
	26,532	-	26,532
Total Liabilities	65,459	-	65,459
Total Equity and Liabilities	152,069	-	152,069

XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2014 (CONT'D)

3.1 Pro Forma I (Cont'd)

Pro Forma I incorporates the effects of the following, the adjustments of which are as set out in Pro Forma A and B.

(i) Acquisition by XHH of the entire equity interest of XHTT for a purchase consideration of RM65,216,997 to be satisfied by the issuance of 130,433,994 new Shares at par value.

(ii) Acquisition by XHH of the entire equity interest of XHAE for a purchase consideration of RM2,364,000 to be satisfied by the issuance of 4,728,000 new Shares at par value.

(iii) Acquisition by XHH of the entire equity interest of Canggih for a purchase consideration of RM3,409,000 to be satisfied by the issuance of 6,818,000 new Shares at par value.

(iv) Acquisition by XHH of 30% equity interest of XHUF for a purchase consideration of RM119,000 to be satisfied by the issuance of 238,000 new Shares at par value.

The results were consolidated using the merger method. Under the merger method, the difference between the acquisition cost and the nominal value of the share capital of the subsidiary is accounted for as merger reserve or deficit.

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XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2014 (CONT'D)

3.2 Pro Forma II

Pro forma II incorporates the effects of Pro forma I, the Public Issue of 37,782,000 new Shares, at an indicative price of RM0.70 per Share, payable in full on application and the utilisation of proceeds. The proceeds from the Public Issue will be utilised as follows:-

Details of the utilisation of proceeds	Amount of proceeds		Estimated timeframe for utilisation from the date of Listing
	RM'000	%	
Business expansion			
- Construction of new warehouse	4,750	17.96	Within six (6) months
- Expansion of fleet of vehicles	11,355	42.93	Within twenty four (24) months
Repayment of bank borrowings	3,750	14.18	Within six (6) months
Working capital	3,081	11.65	Within twenty four (24) months
Estimated listing expenses * ^	3,511	13.28	Within three (3) months
Total	26,447	100.00	

Notes:-

* - *If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be utilised for working capital purposes.*

^ - *The total estimated listing expenses for the issue of new Shares is approximately RM3,511,000 of which RM1,027,000 will be written off against the share premium account under Section 60 of the Companies Act, 1965. The balance of the estimated listing expenses of RM2,484,000 will be expensed off against the Statement of Profit or Loss and Other Comprehensive Income and this represents a one-off expenditure pursuant to the Public Issue.*

XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2014 (CONT'D)

3.3 Property, Plant and Equipment

	Cost RM'000	Valuation RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
As at 31 December 2014				
Freehold land	265	30,575	-	30,840
Leasehold land	10,957	3,400	(78)	14,279
Building and warehouse	7,299	21,000	(466)	27,833
Fixtures, furniture and equipment	4,782	-	(2,019)	2,763
Trucks, low loader, prime mover, trailer and forklift	50,319	-	(28,042)	22,277
Motor vehicles	3,917	-	(2,462)	1,455
Renovation	501	-	(87)	414
Machinery	212	-	(96)	116
Assets under construction	12,258	-	-	12,258
As per Pro Forma I	90,510	54,975	(33,250)	112,235
Utilisation of proceeds	16,105	-	-	16,105
As per Pro Forma II	106,615	54,975	(33,250)	128,340

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XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2014 (CONT'D)

3.4 Cash and Bank Balances

	RM'000
As at 31 December 2014	*
Acquisition of Subsidiaries	8,204
As per Pro Forma I	8,204
Add: Proceeds from Public Issue	26,447
Less: Utilisation of proceeds	
- Business expansion	(16,105)
- Repayment of bank borrowings	(3,750)
- Estimated listing expenses	(3,511)
As per Pro Forma II	11,285

Note:-
* - *Represents RM66*

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XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2014 (CONT'D)

3.5 Share Capital

The movements in the issued and paid-up share capital of XHH are as follow:-

	Number of Ordinary Shares ('000)	Amount of Share Capital RM'000
Ordinary shares of RM0.50 each		
As at 31 December 2014	^	*
Ordinary shares issued pursuant to the Acquisition of Subsidiaries	142,218	71,109
As per Pro Forma I	142,218	71,109
Public Issue	37,782	18,891
As per Pro Forma II	180,000	90,000

Notes:-

^ - *Represents 6 Shares*

* - *Represents RM3*

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XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2014 (CONT'D)

3.6 Share Premium

The movements in the share premium account are as follows:-

	RM'000
As at 31 December 2014	-
Acquisition of Subsidiaries	-
As per Pro Forma I	-
Public Issue	7,556
Less: Estimated listing expenses *	(1,027)
As per Pro Forma II	6,529

Note:-

* - *The total estimated listing expenses for the issue of new Shares is approximately RM3,511,000 of which RM1,027,000 will be written off against the share premium amount under Section 60 of the Companies Act, 1965. The balance of the estimated listing expenses of RM2,484,000 will be expensed off against the Statement of Profit or Loss and Other Comprehensive Income and this represents a one-off expenditure pursuant to the Public Issue.*

3.7 Merger Deficit

The merger deficit arose from the acquisition of XHTT, XHAE, Canggih and XHUF using the merger method of accounting.

	RM'000	RM'000
Cost of investment		
Investment in XHTT at the date of acquisition	65,217	
Investment in XHAE at the date of acquisition	2,364	
Investment in Canggih at the date of acquisition	3,409	
Investment in XHUF at the date of acquisition	119	71,109
		71,109
Elimination of subsidiaries share capital		(2,130)
As per Pro Forma I/II		68,979

XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2014 (CONT'D)

3.8 (Accumulated losses)/Retained profits

	RM'000
As at 31 December 2014	(247)
Acquisition of Subsidiaries	66,211
As per Pro Forma I	65,964
Estimated listing expenses	(2,484)
As per Pro Forma II	63,480

3.9 Long-term borrowings

	RM'000
As at 31 December 2014	-
Acquisition of Subsidiaries	34,456
As per Pro Forma I	34,456
Utilisation of proceeds	(3,750)
As per Pro Forma II	30,706

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XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

4. PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE GROUP FOR THE FYE 31 DECEMBER 2014

	Note	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		18,420
Adjustments for :-		
Allowance for impairment losses on trade receivables		17
Depreciation of property, plant and equipment		4,116
Interest expenses		1,958
Interest income		(33)
Loss on disposal of property, plant and equipment		1
Property, plant and equipment written off		1
Operating profit before working capital changes		24,480
Decrease in inventories		481
Increase in trade and other receivables		(3,322)
Decrease in trade and other payables		(1,855)
CASH FROM OPERATIONS		19,784
Income tax paid		(2,648)
Income tax refund		1,274
Interest paid		(1,958)
NET CASH FROM OPERATING ACTIVITIES		16,452
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received		33
Proceeds from allotment of new ordinary shares		*
Proceeds from disposal of available-for-sale financial asset		500
Proceeds from disposal of property, plant and equipment		*
Purchase of property, plant and equipment	4.1	(33,602)
NET CASH FOR INVESTING ACTIVITIES		(33,069)
BALANCE CARRIED FORWARD		(16,617)

XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

4. PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE GROUP FOR THE FYE 31 DECEMBER 2014 (CONT'D)

	Note	RM'000
BALANCE BROUGHT FORWARD		(16,617)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of term loans		22,078
Net drawdown of bankers' acceptance		237
Net repayment of hire purchase payables		(415)
Repayment of term loans		(3,323)
NET CASH FROM FINANCING ACTIVITIES		18,577
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,960
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		5,555
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	4.2	7,515

Notes:-
The Pro forma Consolidated Statement of Cash Flows of the Group has not taken into account the proceeds from the Public Issue and Utilisation of Proceeds.

* - *Less than RM500*

XIN HWA HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (CONT'D)

4. PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE GROUP FOR THE FYE 31 DECEMBER 2014 (CONT'D)

4.1 Purchase of Property, Plant and Equipment

	RM'000
Cost of property, plant and equipment purchased	33,691
Amount financed through hire purchase	(89)
Cash disbursed for purchase of property, plant and equipment	33,602

4.2 Cash and Cash Equivalents

	RM'000
Cash and bank balances	8,204
Fixed deposits with licensed banks	22
Bank overdraft	(697)
	7,529
Less: Fixed deposits pledged with licensed banks	(14)
As per pro forma consolidated statement of cash flows	7,515

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APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated 21 APR 2015

On behalf of the Board,

Ng Aik Chuan **Ng Yam Pin**

12. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS

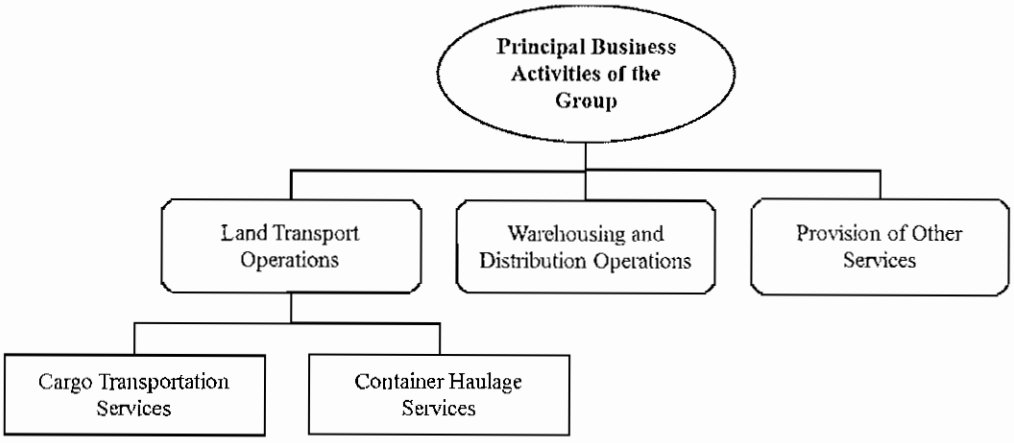
The following discussion and analysis of our Group's financial condition and results of operations should be read in conjunction with our Group's pro forma historical financial information and its accompanying notes included in Section 11 of this Prospectus and the Accountants' Report and its accompanying notes as set out in Section 13 of this Prospectus, where relevant.

This management's discussion and analysis contains forward-looking statements that involve risks and uncertainties. The actual results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to those discussed below and in particular the risk factors as set out in Section 4 of this Prospectus.

The financial analysis, commentaries and pro forma financial information in respect of our Group's financial performance are presented for illustration purposes only and on the assumption that our Group has been in existence throughout the financial years under review. XHH was only incorporated on 18 January 2013. As such, the commentary on the past four (4) financial years up to the FYE 31 December 2014 refers to the past performance of our Subsidiaries.

12.1 Overview of Our Business Activities

We are an investment holding company and are engaged in the provision of management services. Through our Subsidiaries, we are an integrated logistics service provider involved in land transport operations, warehousing and distribution operations and other services as depicted in the diagram below:



Our revenue is derived mainly from our land transport operations which comprise cargo transportation services and container haulage services. For the FYE 31 December 2014, our cargo transportation services accounted for approximately 53.24% of our Group's total revenue and approximately 41.89% of our Group's total PBT whilst our container haulage services accounted for approximately 36.50% of our Group's total revenue and approximately 33.98% of our Group's total PBT. In aggregate, our land transport operations accounted for approximately 89.74% of our Group's total revenue and 75.87% of our Group's total PBT.

Warehousing and distribution operations accounted for approximately 9.97% of our Group's total revenue and 23.64% of our Group's total PBT for the FYE 31 December 2014.

Revenue derived from other services which comprise freight forwarding and customs brokerage services as well as manufacturing and fabrication of trailers accounted for approximately 0.29% of our Group's total revenue and 0.49% of our Group's total PBT for the FYE 31 December 2014.

Our Group's business generally is not affected by seasonal factors. However, we do experience lower sales during festive season due to regulations which limit the transportation of non-necessity goods during the festive seasons.

12.2 Results of Operations

Our Group's results of operations are categorised based on three (3) segments as follows:

(i) business activities, which are categorised based on land transport operations (inclusive of cargo transportation services and container haulage services), warehousing and distribution operations and provision of other services (inclusive of freight forwarding and customs brokerage services as well as manufacturing and fabrication of trailers);

(ii) companies within our Group based on the pro forma financial information of our Group for the past four (4) financial years up to the FYE 31 December 2014; and

(iii) geographical location of our Group's revenue which was derived from Malaysia and Singapore.

12.2.1 Revenue

Our revenue analysis for the past four (4) financial years up to the FYE 31 December 2014 are as follows:

(i) **Business Activities**

	<---------- FYE 31 December ---------->							
	2011		2012		2013		2014	
Revenue	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Land transport operations:								
- Cargo transportation services	40,958	55.03	47,872	52.48	52,263	53.39	58,904	53.24
- Container haulage services	31,972	42.95	40,032	43.89	39,369	40.21	40,379	36.50
Sub-total	72,930	97.98	87,904	96.37	91,632	93.60	99,283	89.74
Warehousing and distribution operations	1,019	1.37	2,579	2.83	6,040	6.17	11,029	9.97
Other serviees	486	0.65	734	0.80	223	0.23	321	0.29
Total	**74,435**	**100.00**	**91,217**	**100.00**	**97,895**	**100.00**	**110,633**	**100.00**

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Land Transport Operations

The details of the revenue generated from our land transport operations are set out below:

	<---------- FYE 31 December ---------->			
	2011	**2012**	**2013**	**2014**
Land transport operations	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cargo transportation services	40,958	47,872	52,263	58,904
Container haulage services	31,972	40,032	39,369	40,379
	72,930	87,904	91,632	99,283
Number of trucks	26	26	35	35
Number of prime movers	287	356	385	421
Number of trailers	545	622	664	680

The land transport operations is our main source of revenue, contributing between 89.74% and 97.98% of our Group's total revenue for the past four (4) financial years up to the FYE 31 December 2014. Our Group's land transport operations, comprising cargo transportation services and container haulage services, are mainly carried out throughout Peninsular Malaysia and are centralised within the state of Johor Darul Takzim. Our Group's land transport operations also involve services between Malaysia and Singapore.

In addition, for the financial years under review, our Group also provides internal port haulage transportation services in several major ports of Peninsular Malaysia namely, Johor Port, Johor Darul Takzim, Port of Tanjung Pelepas, Johor Darul Takzim and Penang Port, Pulau Pinang.

The growth in the revenue from the land transport operations from RM72.93 million for the FYE 31 December 2011 to RM99.28 million for the FYE 31 December 2014 was due predominantly to the business expansion plans undertaken by our Group over the years towards becoming an integrated logistics service provider. Some of the business expansion plans undertaken by our Group include:

- increase of warehousing capacity from 3,750 pallets for the FYE 31 December 2011 to 17,530 pallets for the FYE 31 December 2014 to attract customers who required both storage and land transportation services;

- increase of our fleet to thirty five (35) trucks and 421 prime movers as at the end of the FYE 31 December 2014;

- in-house fabrication of different type of trailers to cater to a wider pool of customers;

- acquisition of a total of five (5) multi axle trailers in year 2013 and 2014 to facilitate project cargo which involves the transportation of over-dimensional and heavy cargo; and

- inclusion of freight forwarding and customs brokerage services in year 2012 which have broadened the complementary services our Group offers to attract customers dealing in the import and export business.

The business expansion plans that we have undertaken had contributed to the increased revenue for our land transportation services. In addition, the development of Iskandar Malaysia in Johor Darul Takzim is another contributing factor to the increase in the revenue from our land transport operations due to the increased demand for the transportation of building materials, goods and other products used for the development.

FYE 31 December 2011

For the FYE 31 December 2011, revenue from our land transport operations had increased by RM10.53 million as compared to the FYE 31 December 2010. This was due to an increase in revenue from our cargo transportation services and container haulage services by RM7.84 million and RM2.69 million, respectively.

The overall increase in revenue for both our cargo transportation services and container haulage services were due to the increase in demand from existing customers and the addition of 196 new customers requiring our services.

FYE 31 December 2012

For the FYE 31 December 2012, revenue from our land transport operations had increased by RM14.97 million as compared to the FYE 31 December 2011 as a result of the increase in revenue from our cargo transportation services and container haulage services by RM6.91 million and RM8.06 million, respectively.

The increase in revenue from our cargo transportation services was due to the increase in demand from existing customers and the addition of approximately 153 new customers requiring our services. For our container haulage services, the increase in revenue was due mainly to the increase in the number of containers hauled in Port of Tanjung Pelepas, Johor Darul Takzim by approximately 131.84% as a result of increased throughput at the port. The increase in the rates and fees charged for our land transport operations by an average of approximately 10.00% as compared to the previous financial year had also contributed to the increase in revenue.

FYE 31 December 2013

For the FYE 31 December 2013, revenue from our land transport operations had increased by RM3.73 million as compared to the FYE 31 December 2012. This was due to the increase in revenue from our cargo transportation services by RM4.39 million and offset by a decrease in revenue from our container haulage services by RM0.66 million.

The increase in revenue generated from our cargo transportation services was due mainly to the continued increase in demand from existing customers and the addition of approximately 174 new customers requiring our services. Commencement of a three (3) year contract for the transportation of precast segmental box girders for the MRT project in Klang Valley during the current financial year had also contributed approximately RM1.46 million to the revenue generated from our land transport operations for the FYE 31 December 2013.

On the other hand, the decrease in revenue from our container haulage services was due mainly to the decrease in the number of containers hauled in Johor Port, Johor Darul Takzim by approximately 2.47% as a result of a decrease in the container throughput at Johor Port, Johor Darul Takzim.

FYE 31 December 2014

For the FYE 31 December 2014, revenue from our land transport operations had increased by RM7.65 million as compared to the FYE 31 December 2013. The increase was due to the increase in revenue from our cargo transportation services and container haulage services by RM6.64 million and RM1.01 million, respectively.

The increase in revenue generated from our cargo transportation services was due mainly to the continued increase in demand from existing customers and addition of approximately 316 new customers requiring our services, including approximately 190 new customers on cash basis. The increase in the revenue generated from the transportation of precast segmental box girders for the MRT project in Klang Valley of approximately RM5.23 million as compared to the previous financial year has further contributed to the increase in revenue from cargo transportation services.

The commencement of the internal port haulage transportation services in Penang Port, Pulau Pinang from 1 January 2014 has resulted in an increase in revenue generated from our container haulage services. However, the increase was mitigated by the marginal reduction in the number of containers hauled in Port of Tanjung Pelepas, Johor Darul Takzim as compared to the FYE 31 December 2013.

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Warehousing and Distribution Operations

The details of the revenue generated from our warehousing and distribution operations are set out below:

Warehousing and distribution operations	<---------- FYE 31 December ---------->			
	2011	2012	2013	2014
	RM'000	RM'000	RM'000	RM'000
Warehousing services	1,019	2,382	5,573	10,566
Distribution services	-	197	467	463
	1,019	2,579	6,040	11,029
Warehouse capacity[(a)]				
- Own warehouse (pallets)	3,750	11,500	11,500	13,750
- Leased warehouse (pallets)	-	-	3,780	3,780
Total	3,750	11,500	15,280	17,530
Utilisation rate[(b)]:				
- Number of pallets	3,695	11,411	13,668	11,998
- %	98.53	99.23	89.45	68.44

Notes:

(a) Based on the size of the warehouse divided by the average size of the pallets of 16 sq. ft. per pallet after taking into consideration storage racks, goods stacking and non-useable areas for warehousing purposes.

(b) Actual utilisation is calculated based on the number of pallets stored in our warehouses as at the end of the respective financial years.

Our revenue from the warehousing and distribution operations is derived mainly from the provision of warehousing services which accounts for more than 92.00% of the revenue generated from warehousing and distribution operations for the financial years under review. The period of warehousing varies between customers and the warehousing rental rate is charged based on a weekly or monthly basis. For the financial years under review, the rental rate of our warehousing services has remained relatively constant.

The provision of our distribution services is merely a value added service available to our customers using our warehousing facility. Such distribution service comprises primarily sorting and delivery of goods / products stored in our warehouse to its designated destinations and the charges would be dependent on the distance and quantity of such deliveries.

FYE 31 December 2011

For the FYE 31 December 2011, revenue from our warehousing and distribution operations had increased by RM0.21 million as compared to the FYE 31 December 2010. This was due mainly to the increase in demand for our warehousing services from our existing customers. The higher demand for our warehousing services had resulted in the increase in the utilisation rate of our warehousing facility to 98.53%.

FYE 31 December 2012

For the FYE 31 December 2012, revenue from our warehousing and distribution operations had increased by RM1.56 million as compared to the FYE 31 December 2011. This was mainly attributed to the increase in demand for warehousing services from our existing and new customers which was facilitated by the expansion of our warehouse in our head office in the 1st quarter of 2012. The capacity for our warehousing facility increased from 3,750 pallets to 11,500 pallets whilst the rental rate of our warehousing services has remained relatively constant.

The increase in demand for our warehousing services was evident by the increase in the utilisation rate of our warehousing facility to 99.23%.

FYE 31 December 2013

For the FYE 31 December 2013, revenue from our warehonsing and distribution operations had increased by RM3.46 million as compared to the FYE 31 December 2012. The increase was due mainly to the higher demand for warehousing services by existing customers coupled with the recognition of full year revenue of our additional warehouse capacity as compared to the FYE 31 December 2012.

In order to meet the increasing demand for warehousing services in the FYE 31 December 2013, our Group had leased an additional warehouse which had resulted in the increase in our warehouse capacity from 11,500 pallets for the FYE 31 December 2012 to 15,280 pallets for the FYE 31 December 2013. Revenue generated from the distribution services had also increased as a result of the higher demand from our customers for the delivery services.

Pursuant to the lease of the additional warehouse, the utilisation rate of our warehousing facility for the FYE 31 December 2013 had decreased to 89.45%. However, it should be noted that the utilisation rate of our warehousing facility in terms of the number of pallets had increased by 2,257 pallets as compared to the FYE 31 December 2012.

FYE 31 December 2014

For the FYE 31 December 2014, revenue from our warehousing and distribution operations had increased by approximately RM4.99 million as compared to the FYE 31 December 2013. This was due mainly to the revenue contributed by a customer newly secured during the FYE 31 December 2014 of approximately RM4.98 million for our warehousing services. Revenue generated from the distribution services had remained relatively constant as compared to the FYE 31 December 2013.

The utilisation rate of our warehousing facility for the FYE 31 December 2014 had decreased to 68.44% as compared to the FYE 31 December 2013 despite an increase in the revenue generated from our warehousing services. This was due mainly to the decrease in the warehouse space rented by one of our customer as at the end of the FYE 31 December 2014 coupled with a slight increase in our warehousing capacity of 2,250 pallets as a result of additional storage racks installed in our own warehouse to cater to our customer demand.

Other Services

The details of the revenue generated from our other services are set out below:

	<---------- FYE 31 December ------>			
	2011	2012	2013	2014
Other services	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Manufacturing and fabrication of trailers	486	671	165	267
Freight forwarding and customs brokerage	-	63	58	54
	486	734	223	321

Our revenue from other services is mainly derived from the manufacturing and fabrication of trailers which accounted for more than 70.00% of the revenue generated from other services for the past four (4) financial years up to the FYE 31 December 2013. The revenue generated from this segment fluctuates year-on-year depending on the quantity, type and size of the orders from customers and also the availability of capacity. The manufacturing and fabrication of trailers are primarily to complement our land transport operations whereas the sales to third party customers are secondary and our Group does not carry out any sales and marketing activities to promote the sale of trailers to third parties. The revenue generated from the sale of trailers to third party customers are dependent on ad-hoc orders which fluctuates year-on-year based on the requirements of the customers. Our Group is not contracted to manufacture and fabricate trailers for any third party customers.

The other service provided by our Group is freight forwarding and customs brokerage services. Our Group's freight forwarding and customs brokerage services commenced in year 2012 and is a complementary service available to all our customers who deals with the import and export of products.

FYE 31 December 2011

For the FYE 31 December 2011, revenue from other services had decreased by RM0.32 million as compared to the FYE 31 December 2010 due mainly to the decrease in sale of trailers to third parties by four (4) units, comprising mainly container trailers resulted by a decrease in the demand from customer.

FYE 31 December 2012

For the FYE 31 December 2012, revenue from other services had increased by RM0.25 million as compared to the FYE 31 December 2011. This was attributed to the increase in sale of trailers to third parties of two (2) units coupled with the commencement of our freight forwarding and customs brokerage services.

FYE 31 December 2013

For the FYE 31 December 2013, revenue from other services had decreased by RM0.51 million as compared to the FYE 31 December 2012. This was due predominantly to the decrease in sale of trailers to third parties by five (5) units as compared to the previous financial year as a result of a decrease in customer demand. In addition, revenue generated from freight forwarding and customs brokerage services had decreased marginally as there was no increase in demand for such services from our customers. As at 31 December 2013, less than two percent (2%) of our total customers utilised our freight forwarding and customs brokerage services.

FYE 31 December 2014

For the FYE 31 December 2014, revenue from other services had increased by approximately RM0.10 million as compared to the FYE 31 December 2013. There was no sale of trailers to third parties during the financial year and the increase in revenue generated was predominantly derived from the fabrication works carried out on used trailers for our customers. Revenue from freight forwarding and customs brokerage services had remained relatively constant as compared to the FYE 31 December 2013.

(ii) Companies

	<---------- FYE 31 December ---------->							
	2011		2012		2013		2014	
Revenue	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
XHH	-	-	-	-	-	-	-	-
XHTT	74,667	100.31	92,120	100.99	98,249	100.36	110,190	99.60
XHAE*	3,879	5.21	6,716	7.36	2,191	2.24	1,682	1.52
Canggih	540	0.73	540	0.59	533	0.54	531	0.48
XHUF	-	-	580	0.64	598	0.61	594	0.54
	79,086	106.25	99,956	109.58	101,571	103.76	112,997	102.14
Consolidation adjustments#	(4,651)	(6.25)	(8,739)	(9.58)	(3,676)	(3.76)	(2,364)	(2.14)
Total	**74,435**	**100.00**	**91,217**	**100.00**	**97,895**	**100.00**	**110,633**	**100.00**

Notes:

* XHAE changed its accounting year end from 31 August to 31 December. Hence, the pro forma financial information of our Group for the FYE 31 December 2012 takes into account the financial information of XHAE for the sixteen (16) months FPE 31 December 2012.

\# Being elimination of inter-company transactions.

XHH

XHH was incorporated on 18 January 2013 and is predominantly an investment holding company. XHH did not generate any revenue for the financial years under review.

XHTT

XHTT is predominantly the subsidiary that is involved in the provision of land transportation services and warehousing and distribution services. It is the major contributor to our Group's revenue for all the financial years under review. The revenue contribution from XHTT has been on an increasing trend during the financial years under review due mainly to the increase in the revenue from land transport operations and warehousing and distribution operations.

FYE 31 December 2011

For the FYE 31 December 2011, revenue from XHTT had increased by RM11.46 million as compared to the FYE 31 December 2010 due mainly to the increase in demand for our cargo transportation services, container haulage services and warehousing services from our existing customers and 196 new customers.

Kindly refer to Section 12.2.1(i) above for further details of the analysis of revenue generated by our land transport operations and warehousing and distribution operations.

FYE 31 December 2012

For the FYE 31 December 2012, the revenue from XHTT had increased by RM17.45 million as compared to the FYE 31 December 2011 due mainly to the increase in demand for our cargo transportation services, container haulage services and warehousing services from our existing customers and approximately 153 new customers, coupled with the increase in the rates and fees charged for our land transport operations by an average of approximately 10.00% as compared to the previous financial year.

Kindly refer to Section 12.2.1(i) above for further details of the analysis of revenue generated by our land transport operations and warehousing and distribution operations.

FYE 31 December 2013

For the FYE 31 December 2013, revenue generated by XHTT had increased by RM6.13 million as compared to the FYE 31 December 2012. This was due mainly to the increase in demand for our cargo transportation services and warehousing services from our existing customers and approximately 174 new customers which was marginally offset by a reduction in revenue generated from container haulage services amidst decrease in port activities.

Kindly refer to Section 12.2.1(i) above for further details of the analysis of revenue generated by our land transport operations and warehousing and distribution operations.

FYE 31 December 2014

For the FYE 31 December 2014, revenue generated by XHTT had increased by RM11.94 million as compared to the FYE 31 December 2013 due mainly to the increase in demand for our cargo transportation services and warehousing services from our existing customers and approximately 316 new customers, including approximately 190 new customers on cash basis. The commencement of the internal port haulage transportations services in Penang Port, Pulau Pinang had also contributed to the increase in revenue. The increase was mitigated by the marginal reduction in the number of containers hauled in Port of Tanjung Pelepas, Johor Darul Takzim.

Kindly refer to Section 12.2.1(i) above for further details of the analysis of revenue generated by our land transport operations and warehousing and distribution operations.

XHAE

XHAE is primarily involved in the manufacturing and fabrication of trailers. The trailers manufactured and fabricated by XHAE are primarily sold to XHTT whilst sales to third parties are secondary dependent on demand from third party customers and the availability of our capacity.

FYE 31 August 2011

For the FYE 31 August 2011, the revenue generated by XHAE had increased by RM0.61 million as compared to the FYE 31 August 2010 due mainly to the increase in sale of trailers to XHTT by twenty four (24) units in order to cater for the increased demand of land transportation services provided by XHTT. The increase was marginally offset by the decrease in demand of trailers from third parties by four (4) units.

Notwithstanding the above, the revenue generated by XHAE from inter-company transactions will be eliminated for consolidation purpose.

Sixteen (16) months FPE 31 December 2012

For the sixteen (16) months FPE 31 December 2012, the revenue generated by XHAE had increased by RM2.84 million as compared to the FYE 31 August 2011 due predominantly to the increase in sales of trailers to XHTT by twenty nine (29) units as compared to the FYE 31 August 2011 coupled with the longer financial period of sixteen (16) months pursuant to the change in financial year end to be conterminous with the Group's financial year end. The increase in sale of trailers to third parties by two (2) units had further contributed to the increase in revenue.

Notwithstanding the above, the revenue generated by XHAE from inter-company transactions will be eliminated for consolidation purpose.

FYE 31 December 2013

For the FYE 31 December 2013, the revenue generated by XHAE had decreased by RM4.53 million as compared to the sixteen (16) months FPE 31 December 2012. The decrease in the revenue was due mainly to the shorter financial period of twelve (12) months and lower demand of trailers by XHTT of twenty one (21) units for the FYE 31 December 2013 as compared to sixty one (61) units for the sixteen (16) months FPE 31 December 2012. The decrease in the demand of trailers from XHTT was due to sufficient trailers acquired in the previous financial year to facilitate the land transportation services provided by XHTT. Further, there was a decrease in the number of trailers acquired by third party customers by five (5) units as compared to the previous financial year as sales of trailers to third party customers are secondary dependent on ad-hoc orders from customers.

Notwithstanding the above, the revenue generated by XHAE from inter-company transactions will be eliminated for consolidation purpose.

FYE 31 December 2014

For the FYE 31 December 2014, the revenue generated by XHAE had decreased by RM0.51 million as compared to the FYE 31 December 2013. The decrease in revenue was mainly due to the lower demand of trailers from XHTT of twelve (12) units for the FYE 31 December 2014 as compared to twenty one (21) units for the FYE 31 December 2013 as XHTT had sufficient trailers to facilitate its land transportation services. For the FYE 31 December 2013, XHAE has not sold any trailers to third parties which resulted in the decrease in revenue. However, the decrease in revenue was offset by the increase in revenue generated by XHAE from the fabrication works carried out on used trailers for our customers.

Notwithstanding the above, the revenue generated by XHAE from inter-company transactions will be eliminated for consolidation purpose.

Canggih

Canggih provides complementary services involving the rental of vehicles to XHTT. The revenue contribution from Canggih has remained relatively constant throughout the financial years under review as there was no fluctuation in the rental rate and number of vehicles rented from Canggih by XHTT.

Notwithstanding the above, the revenue generated by Canggih from inter-company transactions will be eliminated for consolidation purpose.

XHUF

XHUF provides freight forwarding and customs brokerage services. Such services are predominantly provided to XHTT for services render to its customers. The revenue generated by XHUF has been relatively constant as there was no major fluctuation in the number of customers requiring freight forwarding and customs brokerage services from our Group. As at 31 December 2013, less than two percent (2%) of our total customers utilised this service as our land transport operations are mainly carried out within Malaysia which does not require freight forwarding and customs brokerage services.

Notwithstanding the above, the revenue generated by XHUF from inter-company transactions will be eliminated for consolidation purpose.

(iii) Geographical Location

	<---------- FYE 31 December ---------->							
	2011		2012		2013		2014	
Revenue	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Malaysia	70,433	94.62	85,553	93.79	91,021	92.98	99,579	90.01
Singapore	4,002	5.38	5,664	6.21	6,874	7.02	11,054	9.99
	74,435	**100.00**	**91,217**	**100.00**	**97,895**	**100.00**	**110,633**	**100.00**

Our Group's revenue is predominantly generated from our customers in Malaysia which accounts for over 90.00% of the total revenue generated by our Group during the financial years under review. The remaining revenue generated by our Group is from our customers in Singapore, which represent approximately 11.85% of our total customers, and primarily involves the provision of our Group's land transportation services. For the financial years under review, the growth in revenue generated from our customers in Singapore was due mainly to the increase in demand of our services from such customers.

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12.2.2 Cost of Sales

Our cost of sales analysis for the past four (4) financial years up to the FYE 31 December 2014 is as follows:

(i) Business Activities

	<---------- FYE 31 December ---------->							
	2011		2012		2013		2014	
Cost of Sales	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Land transport operations:								
- Port, customs and freight forwarding charges	16,492	29.36	18,784	29.96	18,096	27.01	18,205	24.89
- Fuel	11,494	20.46	13,723	21.88	14,491	21.63	15,676	21.43
- Vehicle upkeep and maintenance	9,788	17.42	10,388	16.57	12,546	18.73	12,870	17.59
- Manpower - Drivers	9,688	17.25	11,280	17.99	12,470	18.61	13,538	18.51
- Depreciation	3,335	5.94	1,457	2.32	2,472	3.69	2,677	3.66
- Other costs	5,006	8.91	6,117	9.76	5,644	8.42	7,824	10.70
Sub-total	**55,803**	**99.34**	**61,749**	**98.48**	**65,719**	**98.09**	**70,790**	**96.78**
Warehousing and distribution operations:								
- Fuel	-	-	59	0.09	124	0.19	116	0.16
- Vehicle upkeep and maintenance	-	-	91	0.15	183	0.27	114	0.16
- Manpower - Drivers	237	0.42	262	0.42	99	0.15	84	0.11
- Depreciation	-	-	13	0.02	36	0.05	24	0.03
- Other costs	4	0.01	116	0.18	681	1.02	1,814	2.48
Sub-total	**241**	**0.43**	**541**	**0.86**	**1,123**	**1.68**	**2,152**	**2.94**
Other services:								
- Port, customs and freight forwarding charges	-	-	17	0.03	13	0.02	27	0.04
- Other costs	128	0.23	397	0.63	138	0.21	175	0.24
Sub-Total	**128**	**0.23**	**414**	**0.66**	**151**	**0.23**	**202**	**0.28**
Total	**56,172**	**100.00**	**62,704**	**100.00**	**66,993**	**100.00**	**73,144**	**100.00**

Land Transport Operations

The cost of sales attributable to our Group's land transport operations accounted for more than 96.00% of our Group's total cost of sales for the financial years under review. The cost of sales for our land transport operations comprised mainly of port, customs and freight forwarding charges, fuel, vehicle upkeep and maintenance and manpower – drivers expenses. The depreciation expenses of the vehicles used in our land transport operations are also included in the cost of sales. The other expenses mainly comprised of toll and parking fees, insurance, demurrage charges, hire of equipment, security escort services, loading and unloading expenses, compensation for damaged goods and trunked radio expenses.

FYE 31 December 2011

For the FYE 31 December 2011, the cost of sales of our land transport operations had increased by RM7.43 million as compared to the FYE 31 December 2010. The increase in cost of sales was due mainly to the following:

(i) increase in port, customs and freight forwarding charges by RM3.55 million;

(ii) increase in fuel expenses by RM1.24 million;

(iii) increase in vehicle upkeep and maintenance expenses by RM1.24 million due mainly to the acquisition of seventy six (76) prime movers to increase the capacity of our land transport operations; and

(iv) increase in manpower – drivers expenses by RM0.53 million due mainly to the increase of sixty six (66) drivers to increase the capacity of our land transport operations.

The increase in the above expenses were predominantly driven by the increase in demand for our cargo transportations services and container haulage services (as disclosed in Section 12.2.1(i) above). In addition, the increase in fuel prices in the second half of 2010 which came into effect for a full year during the FYE 31 December 2011 resulted in the increase in fuel expenses.

Depreciation expenses for the land transport operations for the FYE 31 December 2011 bad marginally decreased by RM0.05 million as compared to the FYE 31 December 2010 due predominantly to assets fully depreciated in the FYE 31 December 2010. On the other hand, other costs for our land transport operations for the FYE 31 Deeember 2011 had increased by RM0.93 million as compared to the FYE 31 December 2010 due to the increase in loading and unloading expenses, toll and parking fees and insurance which was in line with the increase in demand for our cargo transportation services and container haulage services.

FYE 31 December 2012

For the FYE 31 December 2012, the cost of sales of our land transport operations had increased by RM5.95 million as compared to the FYE 31 December 2011. The increase in cost of sales was due mainly to the following:

(i) increase in port, customs and freight forwarding charges by RM2.29 million;

(ii) increase in fuel expenses by RM2.23 million ;

(iii) increase in vehicle upkeep and maintenance expenses by RM0.60 million due mainly to the acquisition of sixty nine (69) prime movers to increase the capacity of our land transport operations; and

(iv) increase in manpower – drivers expenses by RM1.59 million due mainly to the increase of uinety four (94) drivers to increase the capacity of our land transport operations.

The increase in the above expenses were predominantly driven by the increase in demand for our cargo transportations services and container haulage services (as disclosed in Section 12.2.1(i) above).

Depreciation expenses for the land transport operations for the FYE 31 December 2012 had decreased by RM1.88 million as compared to the FYE 31 December 2011. This was due mainly to the revision of the depreciation rate of our trucks, prime movers and trailers from 20% per annum to 10% per annum subsequent to the review of the useful life of these vehicles. Other costs for our land transport operations for the FYE 31 December 2012 had increased by RM1.11 million as compared to the FYE 31 December 2011 as a result of the increase in demurrage charges, toll and parking fees, insurance, security escort services, trunked radio expenses and compensation for damaged goods.

The increase in demurrage charges, toll and parking fees and insurance was in line with the increase in demand for our cargo transportation services and container haulage services. Further, expenses incurred for the security escort services have resulted in an increase in the cost of sales of our cargo transportation services whereas the increase in trunked radio expenses due mainly to the increase in fleet of vehicles allocated to ports we operate in have resulted in an increase in the cost of sales of container haulage services.

FYE 31 December 2013

For the FYE 31 December 2013, the cost of sales of our land transport operations had increased by RM3.97 million as compared to the FYE 31 December 2012. The increase in cost of sales was due mainly to the following:

(i) increase in fuel expenses by RM0.77 million;

(ii) increase in vehicle upkeep and maintenance expenses by RM2.16 million due mainly to the acquisition of twenty nine (29) prime movers to increase the capacity of our land transport operations; and

(iii) increase in manpower – drivers expenses by RM1.19 million due mainly to tbe increase of twenty (20) drivers to increase the capacity of our land transport operations.

The increase in the above expenses were predominantly driven by the increase in demand for our cargo transportations services (as disclosed in Section 12.2.1(i) above). On the other hand, port, customs and freight forwarding charges had decreased by RM0.69 million due primarily to the lower volume of container haulage services amidst decrease in port activities.

With the further expansion of our fleet of vehicles coupled with the recognition of full year depreciation expenses for the fleet of vehicles which were acquired in the second half of the FYE 31 December 2012, depreciation expenses for the land transport operations for the FYE 31 December 2013 had increased by RM1.02 million as compared to the FYE 31 December 2012. On the other hand, other costs for the FYE 31 December 2013 had decreased by RM0.47 million as compared to the FYE 31 December 2012 due to a decrease in demurrage charges, insurance, security escort services and compensation for damaged goods which was mitigated by an increase in trunked radio expenses.

FYE 31 December 2014

For the FYE 31 December 2014, the cost of sales of our land transport operations had increased by RM5.07 million as compared to the FYE 31 December 2013. The increase in cost of sales was due mainly to the following:

(i) increase in port, customs and freight forwarding charges by RM0.11 million;

(ii) increase in fuel expenses by RM1.19 million;

(iii) increase in vehicle upkeep and maintenance expenses by RM0.32 million due mainly to the acquisition of thirty six (36) prime movers to increase the capacity of our land transport operations; and

(iv) increase in manpower – drivers expenses by RM1.07 million due mainly to the increase in the number of trips by our drivers to facilitate our land transport operations.

The increase in the above expenses was predominantly driven by the increase in demand for our cargo transportation services (as disclosed in Section 12.2.1(i) above).

Depreciation expenses for our land transportation operations had increased marginally by RM0.21 million as compared to the FYE 31 December 2013 due mainly to the expansion of our fleet of vehicles. Other costs for the FYE 31 December 2014 had increased by RM2.18 million as compared to the FYE 31 December 2013. The increase in other costs was due to the increase in demurrage charges of approximately RM0.47 million, toll and parking fees of approximately RM0.46 million and direct staff cost of approximately RM0.83 million which is in line with increase in demand for our cargo transportation services and container haulage services. The increase in other costs was mitigated by a decrease in trunked radio expenses of approximately RM0.27 million.

Warehousing and Distribution Operations

Vehicle upkeep and maintenance, fuel and manpower – drivers are the major costs involved in the warehousing and distribution operations for the financial years under review. Such costs are predominantly attributed to the distribution service which is a value added service to the warehousing services provided by our Group. The depreciation expenses of the vehicles used in providing our distribution services are also included in the cost of sales whilst the depreciation of the warehouse is classified under administrative expenses. The other expenses mainly comprised of upkeep cost of our warehouses and the rental for a warehouse.

FYE 31 December 2011

For the FYE 31 December 2011, the cost of sales of our warehousing and distribution operations had increased by RM0.08 million as compared to the FYE 31 December 2010. This was due mainly to additional drivers allocated to the warehousing and distribution operations and resulted in an increase in manpower – drivers expenses. Other costs had decreased due to the reduction in upkeep expenses of the warehouse as refurbishment and expansion of our warehouse was in progress during this period. The expansion of warehouse was completed in the 1st quarter of 2012.

FYE 31 December 2012

For the FYE 31 December 2012, the cost of sales of our warehousing and distribution operations had increased by RM0.30 million as compared to the FYE 31 December 2011. This was due mainly to the increase in fuel expenses, vehicle upkeep and maintenance and depreciation expenses pursuant to the allocation of additional trucks to facilitate the distribution services.

Manpower – drivers expenses for the FYE 31 December 2012 had increased marginally as a result of the increase in drivers allocated to support our distribution services. Other costs had increased due to the increase in upkeep expenses for the expanded warehouse coupled with warehouse rental for the temporary lease of warehouse in the FYE 31 December 2012 to facilitate the increase in the demand of warehousing services.

FYE 31 December 2013

For the FYE 31 December 2013, the cost of sales of our warehousing and distribution operations had increased by RM0.58 million as compared to the FYE 31 December 2012. The increase in cost of sales was due mainly to the following:

(i) increase in fuel expenses by RM0.07 million;

(ii) increase in vehicle upkeep and maintenance expenses by RM0.09 million; and

(iii) increase in depreciation expenses by RM0.02 million.

The increase in the above expenses was predominantly driven by the increase in trucks allocated to support the increase in demand for our distribution services (as disclosed in Section 12.2.1(i) above). On the other hand, manpower – drivers expenses had reduced as there is an increase in the scope of work of our existing warehousing personnel who is carrying out the distribution services. This had resulted in a decrease in the number of drivers allocated for our warehousing and distribution operations and a decrease in expenses incurred for manpower – drivers.

Other costs for the FYE 31 December 2013 had increased by RM0.57 million as compared to the FYE 31 December 2012 due to the rental of a new warehouse in Skudai, Johor Darul Takzim and the increase in the upkeep expenses of the warehouses.

FYE 31 December 2014

For the FYE 31 December 2014, the cost of sales of our warehousing and distribution operations had increased by RM1.03 million as compared to the FYE 31 December 2013. The increase was due mainly to the increase in other costs resulting from the increase in packaging materials of approximately RM0.43 million and staff related expenses of approximately RM0.45 million due to an increase in demand for packaging services by our customers. The recognition of a full year rental expenses for our leased warehouse as compared the rental expenses for seven (7) months incurred for the FYE 31 December 2013 had also resulted in the increase in cost of sales. On the other hand, fuel, vehicle upkeep and maintenance and manpower – drivers had reduced as a result of a decrease in the demand for our distributions services by our customers whilst depreciation had remained relatively constant.

Other Services

The cost of sales of the other services mainly comprised of port, customs and freight forwarding charges for the freight forwarding and customs brokerage services provided by our Group and parts and components used in the manufacturing and fabrication of trailers which is classified as other costs. The fluctuation in the cost of sales for the other services during the financial years under review was due to the fluctuating demand for the services / products provided, as disclosed in Section 12.2.1(i) above.

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(ii) Companies

	<---------- FYE 31 December ---------->							
	2011		2012		2013		2014	
Cost of sales	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
XHH	-	-	-	-	-	-	-	-
XHTT	57,367	102.13	64,742	103.25	68,242	101.86	73,645	100.68
XHAE*	3,392	6.04	6,072	9.68	2,100	3.14	1,613	2.21
Canggih	-	-	45	0.07	47	0.07	48	0.07
XHUF	-	-	286	0.46	286	0.43	294	0.40
	60,759	108.17	71,145	113.46	70,675	105.50	75,600	103.36
Consolidation adjustments#	(4,587)	(8.17)	(8,441)	(13.46)	(3,682)	(5.50)	(2,456)	(3.36)
Total	**56,172**	**100.00**	**62,704**	**100.00**	**66,993**	**100.00**	**73,144**	**100.00**

Notes:

* XHAE changed its accounting year end from 31 August to 31 December. Hence, the pro forma financial information of our Group for the FYE 31 December 2012 takes into account the financial information of XHAE for the sixteen (16) months FPE 31 December 2012.

\# Being elimination of inter-company transactions.

XHH

XHH did not incur any cost of sales for the financial years under review.

XHTT

As disclosed in Section 12.2.1(ii) above, XHTT is predominantly the subsidiary involved in the provision of our Group's land transportation services and warehousing and distribution services. The total cost of sales of XHTT have accounted for the majority of our Group's total cost of sales for the financial years under review.

FYE 31 December 2011

For the FYE 31 December 2011, the cost of sales incurred by XHTT had increased by RM8.27 million as compared to the FYE 31 December 2010. The increase in cost of sales was due mainly to the following:

(i) increase in direct expenses which mainly comprised of port, customs and freight forwarding charges, fuel, vehicle upkeep and maintenance and manpower – drivers; and

(ii) increase in other costs mainly comprised of toll and parking fees, insurance, hire of equipment, security escort services and loading and unloading expenses.

The increase in cost of sales was mitigated by a decrease in depreciation expenses and upkeep cost of our warehouse.

Kindly refer to Section 12.2.2(i) above for further details of the cost of sales attributed to our land transport operations and warehousing and distribution operations.

Notwithstanding the above, cost incurred by XHTT for inter-company transactions will be eliminated for consolidation purpose.

FYE 31 December 2012

For the FYE 31 December 2012, the cost of sales incurred by XHTT had increased by RM7.38 million as compared to the FYE 31 December 2011. The increase in cost of sales was due mainly to the following:

(i) increase in direct expenses which mainly comprised of port, customs and freight forwarding charges, fuel, vehicle upkeep and maintenance, manpower – drivers; and

(ii) increase in other costs mainly comprised of toll and parking fees, insurance, demurrage charges, security escort services, loading and unloading expenses, compensation for damaged goods, trunked radio expenses, upkeep cost of our warehouses and rental for a warehouse.

The increase in cost of sales was mitigated by a decrease in depreciation expenses due to the revision of the depreciation rate of our trucks, prime movers and trailers from 20% per annum to 10% per annum.

Kindly refer to Section 12.2.2(i) above for further details of the cost of sales attributed to our land transport operations and warehousing and distribution operations.

Notwithstanding the above, the cost incurred by XHTT for inter-company transactions will be eliminated for consolidation purpose.

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FYE 31 December 2013

For the FYE 31 December 2013, the cost of sales incurred by XHTT had increased by RM3.50 million as compared to the FYE 31 December 2012. The increase in cost of sales was due mainly to the following:

(i) increase in direct expenses which mainly comprised of fuel, vehicle upkeep and maintenance, manpower – drivers;

(ii) increase in depreciation expenses due to the increase in fleet of vehicles as well as recognition of a full year depreciation for vehicles acquired in the second half of the FYE 31 December 2012; and

(iii) increase in other costs which mainly comprised of toll and parking fees, hire of equipment, loading and unloading expenses, trunked radio expenses, upkeep cost of our warehouses and the rental for a warehouse.

The increase in cost of sales was mitigated by a decrease in other costs comprising of demurrage charges, insurance, security escort services and compensation of damaged goods. There was also a reduction in port, customs and freight forwarding charges as a result of reduced port activities.

Kindly refer to Section 12.2.2(i) above for further details of the cost of sales attributed to our land transport operations and warehousing and distribution operations.

Notwithstanding the above, cost incurred by XHTT for inter-company transactions will be eliminated for consolidation purpose.

FYE 31 December 2014

For the FYE 31 December 2014, the cost of sales incurred by XHTT had increased by RM5.40 million as compared to the FYE 31 December 2013. The increase in cost of sales was due mainly to the following:

(i) increase in direct expenses which mainly comprised of port, customs and freight forwarding charges, fuel, vehicle upkeep and maintenance and manpower – drivers;

(ii) increase in depreciation expense due to the increase in fleet of vehicles; and

(iii) increase in other costs mainly comprised of demurrage charges, insurance, toll and parking fees, direct staff cost, rental of equipment, security escort services, packaging materials, staff related expenses and warehouse rental.

The increase in cost of sales was mitigated by a decrease in trunked radio expenses.

Kindly refer to Section 12.2.2(i) above for further details of the cost of sales attributed to our land transport operations and warehousing and distribution operations.

Notwithstanding the above, the cost incurred by XHTT for inter-company transactions will be eliminated for consolidation purpose.

XHAE

Cost of sales of XHAE comprised mainly of purchase of parts and components for the manufacturing and fabrication of trailers.

FYE 31 August 2011

For the FYE 31 August 2011, the cost of sales incurred by XHAE had increased by RM0.69 million as compared to the FYE 31 August 2010 due mainly to the increase in purchase of parts and components which was in line with the increase in the total number of trailers manufactured and fabricated for sale from sixteen (16) units for the FYE 31 August 2010 to thirty six (36) units for the FYE 31 August 2011.

Sixteen (16) months FPE 31 December 2012

For the sixteen (16) months FPE 31 December 2012, the cost of sales incurred by XHAE had increased by RM2.68 million as compared to the FYE 31 August 2011. This was due mainly to the increase in purchase of parts and components to accommodate the increase in demand of trailers from XHTT. Further, there was a change in the financial year end of XHAE from 31 August to 31 December in order to be conterminous with the Group's financial year end and hence, resulted in longer financial period of sixteen (16) months.

FYE 31 December 2013

For the FYE 31 December 2013, the cost of sales incurred by XHAE had decreased by RM3.97 million due predominantly to decrease in purchase of parts and components as a result of the reduction in the sale of trailers to XHTT coupled with the shorter financial period of twelve (12) months as compared to the sixteen (16) months FPE 31 December 2012.

FYE 31 December 2014

For the FYE 31 December 2014, the cost of sales incurred by XHAE had decreased by RM0.49 million due predominantly to decrease in purchase of major parts and components pursuant to the reduction in the sale of trailers to XHTT and third parties.

Canggih

The cost of sales of Canggih comprised mainly of depreciation charges for vehicles. For the financial years under review, the cost of sales incurred by Canggih has remained relatively constant as there was no fluctuation in the number of vehicles owned by Canggih.

XHUF

The cost of sales of XHUF comprised mainly of port, customs and freight forwarding charges. For the financial years under review, the cost of sales incurred by XHUF has remained relatively constant as there was no major fluctuation in the number of customers requiring freight forwarding and customs brokerage services from XHUF.

(iii) Geographical Location

The cost of sales analysis by geographical location for the financial years under review is not presented as we do not maintain such information.

12.2.3 GP and GP Margin

Our GP contribution and GP margin analysis for the past four (4) financial years up to FYE 31 December 2014 are as follows:

(i) Business Activities

	<---------- FYE 31 December ---------->							
	2011		2012		2013		2014	
GP contribution	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Land transport operations:								
- Cargo transportation services	10.020	54.87	14,482	50.79	15,114	48.91	15,732	41.96
- Container haulage services	7,107	38.91	11,673	40.94	10,799	34.95	12,761	34.04
	17,127	93.78	26,155	91.73	25,913	83.86	28,493	76.00
Warehousing and distribution operations	778	4.26	2,038	7.15	4,917	15.91	8,877	23.68
Other services	358	1.96	320	1.12	72	0.23	119	0.32
Total	**18,263**	**100.00**	**28,513**	**100.00**	**30,902**	**100.00**	**37,489**	**100.00**

	<---------- FYE 31 December ---------->			
	2011	**2012**	**2013**	**2014**
GP margin	**%**	**%**	**%**	**%**
Land transport operation:				
- Cargo transportation serviees	24.46	30.25	28.92	26.71
- Container haulage services	22.23	29.16	27.43	31.60
Warehousing and distribution operations	76.35	79.02	81.41	80.49
Other services	73.66	43.60	32.29	37.07
Overall GP margin	**24.54**	**31.26**	**31.57**	**33.89**

Our Group's overall GP and GP margin for the financial years under review was affected mainly by the following factors:

- increase in the rates and fees of our land transport operations by an average of approximately 10.00% for the FYE 31 December 2012 as compared to the FYE 31 December 2011;
- economies of scale for our Group's operations;
- provision of complementary services within our Group which increased revenue generated for our Group from the same customer;
- corresponding depreciation expenses amidst our Group's increased fleet of vehicles is lower pursuant to the lower capital expenditure due to the acquisition of used prime movers which are thereafter refurbished in-house;
- increase in warehouse space of our Group from 60,000 sq. ft. in the FYE 31 December 2011 to 244,600 sq. ft. in the FYE 31 December 2014;
- lower maintenance cost due to our in-house manufacturing, fabrication and maintenance centre providing repair and maintenance works for our fleet of vehicles; and
- reduced rental expenses for specialised trailers amidst the manufacturing and fabrication of trailers in-house and the purchase of the multi axle trailer.

Our Group's GP grew from RM18.26 million for the FYE 31 December 2011 to RM37.49 million for the FYE 31 December 2014, representing a CAGR of approximately 27.10%. This was primarily due to the increase in GP from our land transport operations, which contributed more than 75.00% to our Group's total GP for the financial years under review.

Our Group's overall GP margin had also increased from 24.54% for the FYE 31 December 2011 to 33.89% for the FYE 31 December 2014 due primarily to the increase in the GP margin of the container haulage services and other services.

Land Transport Operations

FYE 31 December 2011

For the FYE 31 December 2011, the GP contribution from our land transport operations had increased by RM3.09 million as compared to the FYE 31 December 2010 due to the increase in GP contribution from our cargo transportation services and container haulage services by RM2.32 million and RM0.77 million, respectively. The increase in the GP contribution for both our cargo transportation services and container haulage services was due mainly to a higher increase in revenue as compared to the increase of its corresponding cost of sales as depicted in the improvement in GP margin.

For the FYE 31 December 2011, GP margin of our cargo transportation services and container haulage services had increased by 1.22% and 0.59%, respectively as compared to the FYE 31 December 2010. The increase in GP margin for both cargo transportation services and container haulage services were due to the increase in demand for our services and a reduction in depreciation expenses.

FYE 31 December 2012

For the FYE 31 December 2012, the GP contribution from our land transport operations had increased by RM9.03 million as compared to the FYE 31 December 2011 due to the increase in GP contribution from our cargo transportation services and container haulage services by RM4.46 million and RM4.57 million, respectively. The increase in the GP contribution for both our cargo transportation services and container haulage services was due mainly to a higher increase in revenue as compared to the increase of its corresponding cost of sales as depicted in the improvement in GP margins.

For the FYE 31 December 2012, GP margin of our cargo transportation services and container haulage services had increased by 5.79% and 6.93%, respectively as compared to the FYE 31 December 2011. The improvement in GP margin was due to the increase in the rates charged by an average of approximately 10.00% for our cargo transportation services to mitigate the increase in fuel prices of approximately 6.00% in 2010, lower maintenance cost for our fleet of vehicles as maintenance on our vehicles are carried out in-house as well as the revision of the depreciation rate of our trucks, prime movers and trailers from 20% per annum to 10% per annum which had reduced the depreciation expenses by approximately RM2.34 million.

FYE 31 December 2013

For the FYE 31 December 2013, the GP contribution from our land transport operations had decreased by RM0.24 million as compared to the FYE 31 December 2012. The decrease in GP contribution was due mainly to the decrease in GP contribution by RM0.87 million from our container haulage services which was offset by the increase in GP contribution by RM0.63 million from our cargo transportation services. The decrease in the GP contribution from our land transport operations was due mainly to a lower increase in revenue as compared to the increase of its corresponding cost of sales as depicted in the decrease in GP margins for our cargo transportation services and container haulage services.

For the FYE 31 December 2013, GP margin of our cargo transportation services and container haulage services had decreased by 1.33% and 1.73%, respectively as compared to the FYE 31 December 2012. The decrease in GP margin was due mainly to the increase in depreciation expenses pursuant to the increase in the fleet of vehicles of our Group for the FYE 31 December 2013 as well as the recognition of a full year depreciation expenses for the fleet of vehicles which were acquired in the second half of the FYE 31 December 2012. The GP margin of our container haulage services had decreased due to the reduction in activities within the ports which our Group operates in.

FYE 31 December 2014

For the FYE 31 December 2014, the GP contribution from our land transport operations had increased by RM2.58 million as compared to the FYE 31 December 2013 as a result of the increase in GP contribution from our cargo transportation services and container haulage services by RM0.62 million and RM1.96 million respectively. The increase in the GP contribution for both our cargo transportation services and container haulage services was due mainly to the increase in revenue.

For the FYE 31 December 2014, GP margin of our container haulage services had increased by 4.17% as compared to the FYE 31 December 2013 due mainly to higher margin and reduction in trunked radio expenses. On the other hand, GP margin for our cargo transportation services had decreased by 2.21% due mainly to an increase in port, customs and freight forwarding charges of approximately RM0.82 million and toll and parking fees of approximately RM0.46 million due to the increased trips by our drivers. The decrease in margin was also due to the increase in rental of equipment of approximately RM0.18 million and insurance of approximately RM0.41 million to facilitate the transportation of precast segmental box girders for the MRT project in Klang Valley.

Warehousing and Distribution Operations

FYE 31 December 2011

For the FYE 31 December 2011, the GP contribution from our warehousing and distribution operations had increased by RM0.13 million as compared to the FYE 31 December 2010 due to increase in demand for our warehousing services.

For the FYE 31 December 2011, GP margin of our warehousing and distribution operations had decreased by 3.95% as compared to the FYE 31 December 2010. This was due mainly to the lower increase in revenue generated from our warehousing services as compared to the increase in cost of sales.

FYE 31 December 2012

For the FYE 31 December 2012, the GP contribution from our warehousing and distribution operations had increased by RM1.26 million as compared to the FYE 31 December 2011. The increase in GP contribution was due mainly to a higher increase in revenue as compared to the increase of its corresponding cost of sales as depicted in the improvement in GP margin.

For the FYE 31 December 2012, GP margin of our warehousing and distribution operations had increased by 2.67% as compared to the FYE 31 December 2011. This was due predominantly to the expansion of our warehouse space by approximately 124,000 sq. ft. and resulted in an improvement in the revenue generated whilst increase in cost of sales was minimal and comprised mainly of cost attributed to the provision of distribution services. The costs attributable to operating our warehouse such as electricity, insurance and depreciation of warehouse were classified as administrative cost.

FYE 31 December 2013

For the FYE 31 December 2013, the GP contribution from our warehousing and distribution operations had increased by RM2.88 million as compared to the FYE 31 December 2012. The increase in GP contribution was due mainly to a higher increase in revenue as compared to the increase of its corresponding cost of sales as depicted in the improvement in GP margin.

For the FYE 31 December 2013, GP margin of our warehousing and distribution operations had increased by 2.39% as compared to the FYE 31 December 2012. This was due predominantly to the recognition of full year revenue from our expanded warehouse and leasing of a single-storey detached building as our new warehouse which increased our warehouse space by approximately 60,600 sq. ft. On the other hand, the increase in cost of sales was mainly attributed to the provision of distribution services and rental of warehouse whereas the costs attributable to operating our warehouse such as electricity, insurance and depreciation of warehouse are classified as administrative cost.

FYE 31 December 2014

For the FYE 31 December 2014, the GP contribution from our warehousing and distribution operations has increased by RM3.96 million as compared to the FYE 31 December 2013. The increase in GP contribution was due mainly to the increase in revenue of our warehousing services.

For the FYE 31 December 2014, GP margin of our warehousing and distribution operations had decreased by 0.92% as compared to the FYE 31 December 2013. This was due predominantly to increase in cost for packaging materials and staff related expenses arising from increased demand for packaging services.

Other Services

GP contribution from other services has remained relatively constant for the FYE 31 December 2011 and FYE 31 December 2012. The decrease in the GP contribution for the FYE 31 December 2013 as compared to the FYE 31 December 2012 was due primarily to the decrease in the sale of trailers manufactured and fabricated by our Group to third parties while GP contribution from our freight forwarding and customs brokerage services has been relatively constant. The increase in GP contribution from other services for the FYE 31 December 2014 was due mainly to the higher increase in revenue as compared to the increase of its corresponding cost of sales as depicted in the improvement in GP margin.

The reduction in GP margin of other services for the FYE 31 December 2013 as compared to the FYE 31 December 2012 was due primarily to the reducing sale of higher margin trailers while GP margin derived from our freight forwarding and customs brokerage services has been relatively constant. For the FYE 31 December 2014, GP margin of other services has increased by approximately 4.78% due mainly to higher margin of approximately 34.48% for fabrication work carried out on used trailers for our customers.

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(ii) Companies

	<---------- FYE 31 December ---------->							
	2011		2012		2013		2014	
GP contribution	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
XHH	-	-	-	-	-	-	-	-
XHTT	17,299	94.72	27,378	96.02	30,007	97.10	36,545	97.48
XHAE*	487	2.67	644	2.26	91	0.30	69	0.18
Canggih	540	2.96	495	1.74	486	1.57	483	1.29
XHUF	-	-	294	1.03	312	1.01	300	0.80
	18,326	100.35	28,811	101.05	30,896	99.98	37,397	99.75
Consolidation adjustments#	(63)	(0.35)	(298)	(1.05)	6	0.02	92	0.25
Total	**18,263**	**100.00**	**28,513**	**100.00**	**30,902**	**100.00**	**37,489**	**100.00**

Notes:

* XHAE changed its accounting year end from 31 August to 31 December. Hence, the pro forma financial information of our Group for the FYE 31 December 2012 takes into account the financial information of XHAE for the sixteen (16) months FPE 31 December 2012.

\# Being elimination of inter-company transactions.

	<---------- FYE 31 December ---------->			
	2011	**2012**	**2013**	**2014**
GP margin	**%**	**%**	**%**	**%**
XHH	-	-	-	-
XHTT	23.17	29.72	30.54	33.17
XHAE	12.55	9.59	4.15	4.10
Canggih	100.00	91.67	91.18	90.96
XHUF	-	50.69	52.17	50.51

XHH

XHH did not generate any GP for the financial years under review.

XHTT

The major GP contributor to our Group was XHTT, accounting for more than 94.00% of the GP generated by our Group for the financial years under review. As disclosed in Section 12.2.1(ii) of this Prospectus, XHTT is predominantly the subsidiary involved in the provision of land transportation services and warehousing and distribution services.

FYE 31 December 2011

For the FYE 31 December 2011, the GP contribution by XHTT had increased by RM3.19 million as compared to the FYE 31 December 2010. The increase in GP contribution was due mainly to the improvement in GP contributions from our land transport operations and warehousing and distribution operations as elaborated in Section 12.2.3(i) above.

For the FYE 31 December 2011, GP margin of XHTT had also increased by 0.84% as compared to the FYE 31 December 2010 due mainly to the higher GP margin from our cargo transportations services, container haulage services and warehousing and distribution operations as elaborated in Section 12.2.3(i) above.

FYE 31 December 2012

For the FYE 31 December 2012, the GP contribution of XHTT had increased by RM10.08 million as compared to the FYE 31 December 2011. The increase in GP contribution was due mainly to the improvement in GP contributions from our land transport operations and warehousing and distribution operations as elaborated in Section 12.2.3(i) above.

For the FYE 31 December 2012, GP margin of XHTT had also increased by 6.55% as compared to the FYE 31 December 2011 due mainly to the higher GP margin from our cargo transportation services, container haulage services and warehousing and distribution operations as elaborated in Section 12.2.3(i) above.

FYE 31 December 2013

For the FYE 31 December 2013, the GP contribution of XHTT had increased by RM2.63 million as compared to the FYE 31 December 2012. The increase in GP contribution was due mainly to the improvement in GP contributions from our warehousing and distribution operations which were marginally offset by the decrease in GP contribution from our land transport operations as elaborated in Section 12.2.3(i) above.

For the FYE 31 December 2013, GP margin of XHTT had also increased by 0.82% as compared to the FYE 31 December 2011 due mainly to the higher GP margin from warehousing and distribution operations which was mitigated by the decrease in GP margin of our cargo transportation services and container haulage services as elaborated in Section 12.2.3(i) above.

FYE 31 December 2014

For the FYE 31 December 2014, the GP contribution of XHTT had increased by RM6.54 million as compared to the FYE 31 December 2013. The increase in GP contribution was due mainly to the improvement of GP contributions from our land transport operations and warehousing and distribution operations as elaborated in Section 12.2.3(i) above.

For the FYE 31 December 2014, GP margin of XHTT had also increased by 2.63% as compared to the FYE 31 December 2013 due mainly to the higher GP margin from container haulage services which was mitigated by the decrease in GP margin of our cargo transportation services and warehousing and distribution operations as elaborated in Section 12.2.3(i) above.

XHAE

Sixteen (16) months FPE 31 December 2012

For the sixteen (16) months FPE 31 December 2012, the GP contribution of XHAE had increased by RM0.16 million as compared to the FYE 31 August 2011 due predominantly to the increase in sales of trailers, predominantly to XHTT coupled with the longer financial period of sixteen (16) months.

For the sixteen (16) months FPE 31 December 2012, GP margin of XHAE had decreased by 2.96% as compared to the FYE 31 August 2011 due mainly to the decrease in the sale of higher margin trailers.

Notwithstanding the above, the GP generated by XHAE from inter-company transactions will be eliminated for consolidation purpose.

FYE 31 December 2013

For the FYE 31 December 2013, the GP contribution of XHAE had decreased by RM0.55 million as compared to the sixteen (16) months FPE 31 December 2012 due predominantly to the decrease in sales of trailers, predominantly to XHTT coupled with the shorter financial period of twelve (12) months as compared to sixteen (16) months.

For the FYE 31 December 2013, GP margin of XHAE had decreased by 5.44% as compared to the sixteen (16) months FPE 31 December 2012 due mainly to the decrease in the sale of higher margin trailers.

Notwithstanding the above, the GP generated by XHAE from inter-company transactions will be eliminated for consolidation purpose.

FYE 31 December 2014

For the FYE 31 December 2014, the GP contribution of XHAE had decreased by RM0.02 million as compared to the FYE 31 December 2013 due predominantly to the decrease in sales of trailers to XHTT and third parties.

For the FYE 31 December 2014, GP margin of XHAE has remained relatively constant as compared to the FYE 31 December 2013.

Notwithstanding the above, the GP generated by XHAE from inter-company transactions will be eliminated for consolidation purpose.

Canggih

For the financial years under review, the GP contribution of Canggih has remained relatively constant as there was no fluctuation in the rental rate and number of vehicles rented from Canggih by XHTT.

Canggih had the highest GP margin for the financial years under review as its business operations only require minimal cost of sales where the maintenance and upkeep cost of the vehicles rented to XHTT were solely borne by XHTT.

Notwithstanding the above, the GP generated by Canggih from inter-company transactions will be eliminated for consolidation purpose.

XHUF

For the financial years under review, the GP contribution of XHUF has remained relatively constant as there was no major fluctuation in the number of customers requiring freight forwarding and customs brokerage services from our Group.

The GP margin of XHUF, which is primarily involved in the provision of freight forwarding and customs brokerage services was more than 50% for the financial years under review due to the nature of its business which was more administrative. The GP margin of XHUF has remained relatively constant for the financial years under review.

Notwithstanding the above, the GP generated by XHUF from inter-company transactions will be eliminated for consolidation purpose.

(iii) Geographical Location

The GP contribution and GP margin analysis by geographical location for the financial years under review is not presented as we do not maintain such information.

12.2.4 Other Income

The breakdown of other income for the past four (4) financial years up to the FYE 31 December 2014 is as follows:

	<---------- FYE 31 December ---------->			
	2011	**2012**	**2013**	**2014**
Other Income	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Bad debts recovered	-	2	3	-
Claims from damages	-	-	-	206
Gain on disposal of investment property	-	166	-	-
Gain on disposal of property, plant and equipment	219	227	80	-
Gain on foreign exchange – realised	-	24	-	-
Gain on foreign exchange – unrealised	2	19	-	-
Gain on trading sale of prime movers	659	260	150	24
Interest income	4	2	5	33
Other income	*	8	31	12
Rental income	-	7	17	19
Reversal of impairment losses on trade receivables	101	39	-	-
Total	**985**	**754**	**286**	**294**

FYE 31 December 2011

For the FYE 31 December 2011, other income had increased by RM0.24 million as compared to the FYE 31 December 2010. This was due mainly to the increase in gain on trading sale of prime movers of RM0.14 million, reversal of impairment losses on trade receivables of RM0.10 million and increase in gain on disposal of property, plant and equipment of RM0.17 million. The increase was mitigated by the decrease in gain on foreign exchange of RM0.02 million and rental income of RM0.02 million.

FYE 31 December 2012

For the FYE 31 December 2012, other income had decreased by RM0.23 million as compared to the FYE 31 December 2011. This was due predominantly to the reduction in gain on trading sale of prime movers of RM0.40 million and reduction in reversal of impairment losses on trade receivables of RM0.06 million. Such reductions were offset by one-off gain on disposal of investment property amounting to RM0.17 million and increase in gain on foreign exchange of RM0.04 million.

FYE 31 December 2013

For the FYE 31 December 2013, other income had decreased by RM0.47 million as compared to the FYE 31 December 2012. This was due predominantly to the reduction in gain on disposal of property, plant and equipment of RM0.15 million, reduction in gain on trading sale of prime movers of RM0.11 million, reduction in reversal of impairment losses on trade receivables of RM0.04 million, reduction in gain on foreign exchange of RM0.04 million and one-off gain on disposal of investment property amounting to RM0.17 million which was only recognised in the FYE 31 December 2012. The reduction was offset by an increase in rental income and other income of RM0.01 million and RM0.02 million, respectively.

FYE 31 December 2014

For the FYE 31 December 2014, other income had increased by approximately RM0.01 million as compared to the FYE 31 December 2013. This was due mainly to claims from damages arising from road accidents of approximately RM0.21 million. However, the increase in other income was mitigated by a decrease in gain on trading sale of prime movers of approximately RM0.13 million as compared to the FYE 31 December 2014.

12.2.5 PBT and PBT Margin

Our PBT contribution and PBT margin analysis for the past four (4) financial years up to FYE 31 December 2014 are as follows:

(i) Business Activities

	<---------- FYE 31 December ---------->							
	2011		2012		2013		2014	
PBT contribution	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Land transport operations:								
- Cargo transportation services	4,680	54.50	7,727	50.65	7,715	48.89	7,717	41.89
- Container haulage services	3.320	38.65	6,229	40.83	5,512	34.93	6,259	33.98
	8,000	93.15	13,956	91.48	13,227	83.82	13,976	75.87
Warehousing and distribution operations	363	4.23	1,087	7.12	2,510	15.91	4,354	23.64
Other services	225	2.62	214	1.40	42	0.27	90	0.49
Total	**8,588**	**100.00**	**15,257**	**100.00**	**15,779**	**100.00**	**18,420**	**100.00**

	<---------- FYE 31 December ---------->			
	2011	2012	2013	2014
PBT margin	**%**	**%**	**%**	**%**
Land transport operations:				
- Cargo transportation services	11.43	16.14	14.76	13.10
- Container haulage services	10.38	15.56	14.00	15.50
Warehousing and distribution operations	35.62	42.15	41.56	39.48
Other services	46.30	29.16	18.83	28.04
Overall PBT margin	**11.54**	**16.73**	**16.12**	**16.65**

Generally, our Group's PBT is influenced primarily by our Group's GP and the increase in administrative expenses comprising of staff expenses, office supplies, utilities, travelling and selling and distribution expenses, comprising advertisement and promotional expenses. The other factors which also have an impact on the PBT of our Group is the increasing depreciation and finance costs arising from yearly capital expenditure partly financed by borrowings.

Our Group's PBT has increased from RM8.59 million for the FYE 31 December 2011 to RM18.42 million for the FYE 31 December 2014, representing a CAGR of approximately 28.95%. Overall PBT margin had maintained relatively consistent between 11.54% and 16.73% for the past four (4) financial years up to the FYE 31 December 2014. The increase in PBT and PBT margin was due predominantly to the higher increase in overall GP and GP margin as compared to the increase in selling and distribution expenses, depreciation expenses, finance costs coupled with the relative constant selling and distribution expenses.

Land Transport Operations

FYE 31 December 2011

For the FYE 31 December 2011, the PBT contribution from our land transport operations had increased by RM1.62 million as compared to the FYE 31 December 2010 due to the increase in PBT contribution from our cargo transportation services and container haulage services by RM1.18 million and RM0.44 million, respectively and after taking into consideration the following:

(i) administrative expenses for the FYE 31 December 2011 amounting to RM8.73 million, which represented an increase of RM1.39 million as compared to the FYE 31 December 2010. The increase in administrative expenses was due mainly to the increase in staff expenses by RM0.74 million due to the employment of eleven (11) employees during the financial year and increase in depreciation expenses by RM0.40 million;

(ii) selling and distribution expenses for the FYE 31 December 2011 amounting to RM0.62 million, which represented an increase of RM0.18 million as compared to the FYE 31 December 2010. The increase in selling and distribution expense was due mainly to the increase in travelling and outstation expenses and upkeep of motor vehicles by RM0.10 million and RM0.05 million respectively;

(iii) increase in GP contribution for our cargo transportation services and container haulage services for the FYE 31 December 2011 by RM3.09 million as elaborated in Section 12.2.3(i) above; and

(iv) finance costs for the FYE 31 December 2011 amounting to RM0.70 million, which represented an increase of RM0.15 million as compared to the FYE 31 December 2010. The increase in finance costs was due mainly to the increase in term loan by RM6.39 million for the purchase of land and expansion of our warehouse.

For the FYE 31 December 2011, the PBT margin of our cargo transportation services and container haulage services had increased by 0.85% and 0.54%, respectively as compared to the FYE 31 December 2010. The increase in PBT margin was due primarily to the higher increase in GP contribution as compared to the increase in administrative expenses, selling and distribution expense and finance costs attributed to our cargo transportation services and container haulage services.

FYE 31 December 2012

For the FYE 31 December 2012, the PBT contribution from our land transport operations had increased by RM5.96 million as compared to the FYE 31 December 2011 due to the increase in PBT contribution from our cargo transportation services and container haulage services by RM3.05 million and RM2.91 million, respectively and after taking into consideration the following:

(i) administrative expenses amounting to RM11.13 million, which represented an increase of RM2.40 million as compared to the FYE 31 December 2011. The increase in administrative expenses was due mainly to the increase in staff expenses by RM1.23 million following the employment of twenty (20) new employees for our Group, increase in allowance for impairment losses on trade receivables by RM0.58 million, increase in depreciation expenses and increase in upkeep cost for the office by RM0.14 million and RM0.13 million, respectively;

(ii) selling and distribution expenses amounting to RM0.49 million, which represented a decrease of RM0.13 million as compared to the FYE 31 December 2011. The decrease in selling and distribution expense was due mainly to the reduction in travelling and outstation allowances by RM0.15 million pursuant to the appointment of permanent staff at each of the branch office as compared to staff from the head office travelling to the branches on a weekly basis;

(iii) increase in GP contribution for our land transport operations by RM9.03 million for the FYE 31 December 2012 as elaborated in Section 12.2.3(i) above; and

(iv) finance costs amounting to RM1.28 million, which represented an increase of RM0.58 million as compared to the FYE 31 December 2011. The increase in finance costs was due mainly to the increase in term loan by RM2.92 million for the purchase of land and expansion of warehouse in the head office.

For the FYE 31 December 2012, the PBT margin of our cargo transportation services and container haulage services had increased by 4.71% and 5.18%, respectively as compared to the FYE 31 December 2011. The increase in PBT margin was due primarily to the higher increase in GP contribution as compared to the increase in administrative expenses and finance costs attributed to our cargo transportation services and container haulage services coupled with the reduction in selling and distribution expenses.

FYE 31 December 2013

For the FYE 31 December 2013, the PBT contribution from our land transport operations had decreased by RM0.73 million as compared to the FYE 31 December 2012 due to the decrease in PBT contribution from our cargo transportation services and container haulage services by RM0.01 million and RM0.72 million, respectively and after taking into consideration the following:

(i) administrative expenses amounting to RM11.46 million, which represented an increase of RM0.33 million as compared to the FYE 31 December 2012. The increase in administrative expenses was due mainly to the increase in staff expenses by RM1.57 million as a result of annual increments and bonuses and increase in electricity expenses by RM0.09 million;

(ii) selling and distribution expenses amounting to RM0.43 million, which represented a decrease of RM0.06 million as compared to the FYE 31 December 2012. The decrease in selling and distribution expense was due mainly to the reduction in travelling and outstation expense by RM0.02 million and decrease in petrol cost by RM0.06 million;

(iii) decrease in GP contribution for our container haulage services by RM0.87 million for the FYE 31 December 2013 as elaborated in Section 12.2.3(i) above; and

(iv) finance costs amounting to RM1.04 million, which represented a decrease of RM0.24 million as compared to the FYE 31 December 2012. The decrease in finanee costs was due mainly to reduction in interest expense arising from term loan by RM0.34 million.

For the FYE 31 December 2013, the PBT margin of our cargo transportation services and container haulage services had decreased by 1.38% and 1.56%, respectively as compared to the FYE 31 December 2012. The decrease in PBT margin was due primarily to the lower increase in GP contribution from our cargo transportation services as compared to the increase in administrative expenses and finance costs attributed to our cargo transportation services and container haulage services coupled with the decrease in GP contribution from our container haulage services.

FYE 31 December 2014

For the FYE 31 December 2014, the PBT contribution from our land transport operations had increased by RM0.75 million as compared to the FYE 31 December 2013 due to the increase in PBT contribution from our container haulage services by RM0.75 million and after taking into consideration the following:

(i) administrative expenses amounting to RM12.72 million, which represented an increase of RM1.26 million as compared to the FYE 31 December 2013. The increase in administrative expenses was due mainly to the increase in staff expenses by RM1.00 million as a result of annual increments and employment of new employees and increase in electricity and insurance expenses by RM0.14 million and RM0.08 million, respectively. The increase was offset by a decrease in allowance for impairment losses on trade receivables by RM0.30 million;

(ii) selling and distribution expenses amounting to RM0.49 million, which represented an increase of RM0.06 million as compared to the FYE 31 December 2013. The increase in selling and distribution expense was due mainly to the increase in upkeep of motor vehicles by RM0.04 million;

(iii) increase in GP contribution for our cargo transportation services and container haulage services by RM0.62 million and RM1.96 million, respectively for the FYE 31 December 2014 as elaborated in Section 12.2.3(i) above; and

(iv) finance costs amounting to RM1.50 million, which represented an increase of RM0.46 million as compared to the FYE 31 December 2013. The increase in finance costs was due mainly to the increase in interest expense arising from term loan of approximately RM0.42 million.

For the FYE 31 December 2014, the PBT margin of our cargo transportation services had decreased by 1.66% whereas PBT margin of our container haulage services had increased by 1.50% as compared to the FYE 31 December 2013.

The decrease in PBT margin for our cargo transportation services was due primarily to the lower increase in GP contribution from our cargo transportation services of approximately RM0.62 million as compared to the increase in administrative expenses and finance costs attributed to our cargo transportation services. On the other hand, the increase in PBT margin for our container haulage services was due primarily to the higher increase in GP contribution from our container haulage services of approximately RM1.96 million as compared to the increase in administrative expenses and finance costs attributed to our container haulage services.

Warehousing and Distribution Operations

FYE 31 December 2011

For the FYE 31 December 2011, the PBT contribution from our warehousing and distribution operations had increased by RM0.07 million as compared to the FYE 31 December 2010 due to the increase in GP contribution for our warehousing and distribution operations for the FYE 31 December 2011 as elaborated in Section 12.2.3(i) above and after taking into consideration the following:

(i) administrative expenses amounting to RM0.40 million, which represented an increase of RM0.06 million as compared to the FYE 31 December 2010. The increase in administrative expenses was due mainly to the increase in staff expenses by RM0.03 million and increase in depreciation expenses by RM0.02 million;

(ii) selling and distribution expenses amounting to RM0.03 million, which represented an increase of RM0.01 million as compared to the FYE 31 December 2010. The increases in selling and distribution expense was due mainly to the increase in travelling and outstation expenses and upkeep of motor vehicles by RM0.01 million; and

(iii) finance costs amounting to RM0.03 million, which represented an increase of RM0.01 million as compared to the FYE 31 December 2010.

For the FYE 31 December 2011, the PBT margin of our warehousing and distribution operations had decreased by 0.92% as compared to the FYE 31 December 2010. The decrease in PBT margin was due primarily to the lower increase in GP contribution as compared to the increase in administrative expenses, selling and distribution expenses and finance costs allocated for our warehousing and distribution operations.

FYE 31 December 2012

For the FYE 31 December 2012, the PBT contribution from our warehousing and distribution operations had increased by RM0.72 million as compared to the FYE 31 December 2011 due to the increase in GP contribution for our warehousing and distribution operations for the FYE 31 December 2012 as elaborated in Section 12.2.3(i) above and after taking into consideration the following:

(i) administrative expenses amounting to RM0.87 million, which represented an increase of RM0.47 million as compared to the FYE 31 December 2011. The increase in administrative expenses was due mainly to the increase in staff expenses by RM0.23 million pursuant to the increase in the number of employees, increase in allowance for impairment losses on trade receivables by RM0.06 million, increase in depreciation expenses by RM0.04 million and increase in upkeep cost for the office;

(ii) selling and distribution expenses amounting to RM0.04 million, which represented a decrease of RM0.01 million as compared to the FYE 31 December 2011. The decrease in selling and distribution expense was due mainly to the reduction in travelling and outstation expenses by RM0.01 million; and

(iii) finance costs amounting to RM0.10 million, which represented an increase by RM0.07 million as compared to the FYE 31 December 2011.

For the FYE 31 December 2012, the PBT margin of our warehousing and distribution operations had increased by 6.53% as compared to the FYE 31 December 2011. The increase in PBT margin was due primarily to the higher increase in GP contribution as compared to the increase in administrative expenses and finance costs attributed to our warehousing and distribution operations coupled with the reduction in selling and distribution expenses.

FYE 31 December 2013

For the FYE 31 December 2013, the PBT contribution from our warehousing and distribution operations had increased by RM1.42 million as compared to the FYE 31 December 2012 due to the increase in GP contribution for our warehousing and distribution operations for the FYE 31 December 2013 as elaborated in Section 12.2.3(i) above and after taking into consideration the following:

(i) administrative expenses amounting to RM2.18 million, which represented an increase of RM1.31 million as compared to the FYE 31 December 2012. The increase in administrative expenses was due mainly to the increase in staff expenses by RM0.90 million pursuant to the increase in the number of employees, increase in electricity expenses and increase in depreciation expenses by RM0.04 million and RM0.12 million, respectively;

(ii) selling and distribution expenses amounting to RM0.08 million, which represented an increase of RM0.04 million as compared to the FYE 31 December 2012. The increase in selling and distribution expenses was due mainly to the increase in petrol cost and upkeep of motor vehicles by RM0.01 million and RM0.03 million respectively; and

(iii) finance costs amounting to RM0.20 million, which represented an increase of RM0.10 million as compared to the FYE 31 December 2012.

For the FYE 31 December 2013, the PBT margin of our warehousing and distribution operations had decreased by 0.59% as compared to the FYE 31 December 2012. The decrease in PBT margin was due primarily to the higher increase in administrative expenses, selling and distribution expenses and finance costs attributed to our warehousing and distribution operations as compared to the increase in GP contribution from our warehousing and distribution operations.

FYE 31 December 2014

For the FYE 31 December 2014, the PBT contribution from our warehousing and distribution operations had increased by RM1.84 million as compared to the FYE 31 December 2013 due to the increase in GP contribution for our warehousing and distribution operations for the FYE 31 December 2014 as elaborated in Section 12.2.3(i) above and after taking into consideration the following:

(i) administrative expenses amounting to RM3.96 million, which represented an increase of RM1.78 million as compared to the FYE 31 December 2013. The increase in administrative expenses was due mainly to the increase in staff expenses by RM1.16 million as a result of annual increments and bonuses and increase in electricity and insurance expenses by RM0.08 million and RM0.04 million, respectively. The increase was offset by a decrease in allowance for impairment losses on trade receivables by RM0.05 million;

(ii) selling and distribution expenses amounting to RM0.15 million, which represented an increase of RM0.07 million as compared to the FYE 31 December 2013. The increase in selling and distribution expense was due mainly to the increase in upkeep of motor vehicles by RM0.04 million; and

(iii) finance costs amounting to RM0.47 million, which represented an increase of RM0.27 million as compared to the FYE 31 December 2013. The increase in finance costs was due mainly to the increase in interest expenses arising from term loan of approximately RM0.22 million.

For the FYE 31 December 2014, the PBT margin of our warehousing and distribution operations had decreased by 2.08% as compared to the FYE 31 December 2013. The decrease in PBT margin was due mainly to the higher increase in administrative expenses, selling and distribution expenses and finance costs attributed to our warehousing and distribution operations as compared to the increase in GP contribution from our warehousing and distribution operations.

Other services

Administrative and selling and distribution expenses allocated to the other services has been relatively constant for the financial years under review. PBT contribution from other services has remained relatively constant for both the FYE 31 December 2011 and FYE 31 December 2012. The decrease in the PBT contribution for the FYE 31 December 2013 as compared to the FYE 31 December 2012 was due primarily to the decrease in the sale of trailers manufactured and fabricated by our Group to third parties while revenue from our freight forwarding and customs brokerage services has been relatively constant. The increase in the PBT contribution for the FYE 31 December 2014 was due mainly to the increase in GP contribution from other services.

The reduction of PBT margin from the FYE 31 December 2011 to FYE 31 December 2013 was due primarily to the lower volume of other services provided comprising mainly of freight forwarding and customs brokerage services and manufacturing and fabrication of trailers, both of which are complementary services to our land transport operations. For the FYE 31 December 2014, the increase in PBT margin of 9.21% was due mainly to the higher increase in GP contribution as compared to the iucrease in administrative expenses, selling and distribution expenses and finance costs attributed to other services.

(ii) Companies

PBT contribution	<---------- FYE 31 December ---------->							
	2011		2012		2013		2014	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
XHH	-	-	-	-	(25)	(0.16)	(222)	(1.21)
XHTT	7,888	91.85	14,455	94.74	15,094	95.66	17,838	96.84
XHAE*	306	3.56	435	2.85	48	0.30	55	0.30
Canggih	461	5.37	489	3.21	499	3.17	488	2.66
XHUF	(4)	(0.05)	176	1.15	201	1.27	183	0.99
	8,651	100.73	15,555	101.95	15,817	100.24	18,342	99.58
Consolidation adjustments#	(63)	(0.73)	(298)	(1.95)	(38)	(0.24)	78	0.42
Total	**8,588**	**100.00**	**15,257**	**100.00**	**15,779**	**100.00**	**18,420**	**100.00**

Notes:

* XHAE changed its accounting year end from 31 August to 31 December. Hence, the pro forma financial information of our Group for the FYE 31 December 2012 takes into account the financial information of XHAE for the sixteen (16) months FPE 31 December 2012.

\# Being elimination of inter-company transactions.

	<---------- FYE 31 December ---------->			
	2011	2012	2013	2014
PBT margin*	%	%	%	%
XHH	-	-	N/A	N/A
XHTT	10.56	15.69	15.36	16.19
XHAE	7.89	6.48	2.19	3.27
Canggih	85.37	90.56	93.62	91.90
XHUF	N/A	30.34	33.61	30.81

Notes:

* The PBT margin was derived before elimination of inter-company transactions.

N/A Not applicable as these companies did not generate any revenue for the financial year under review.

XHH

XHH was incorporated on 18 January 2013 and is predominantly an investment holding company. XHH did not generate any revenue for the financial years under review.

FYE 31 December 2013

For the FYE 31 December 2013, XHH recognised a loss before taxation of RM0.03 million due mainly to administrative expenses incurred such as audit fee and directors' remuneration.

FYE 31 December 2014

For the FYE 31 December 2014, the loss before taxation of XHH had increased by approximately RM0.20 million as compared to the FYE 31 December 2013. This was due mainly to the increase in administrative expenses such as directors' remuneration and secretarial fees.

XHTT

For the financial years under review, the highest PBT contributor was XHTT which contributed over 91.00% of our Group's PBT. As disclosed in Section 12.2.1(ii) of this Prospectus, XHTT is predominantly the subsidiary involved in the provision of land transportation services and warehousing and distribution services.

FYE 31 December 2011

For the FYE 31 December 2011, the PBT contribution by XHTT had increased by RM1.62 million as compared to the FYE 31 December 2010. The increase in PBT contribution was due mainly to the improvement in PBT contributions from our land transport operations and warehousing and distribution operations as elaborated in Section 12.2.5(i) above.

For the FYE 31 December 2011, PBT margin of XHTT had also increased by 0.64% as compared to the FYE 31 December 2010 due mainly to improved PBT margin of our cargo transportations services, container haulage services and warehousing and distribution operations as elaborated in Section 12.2.5(i) above.

FYE 31 December 2012

For the FYE 31 December 2012, the PBT contribution and PBT margin of XHTT had increased by RM6.57 million and 5.13% respectively as compared to the FYE 31 December 2011. The increase in PBT contribution and PBT margin was due to the increase in PBT contributions from our land transport operations and warehousing and distribution operations as elaborated in Section 12.2.5(i) above.

FYE 31 December 2013

For the FYE 31 December 2013, the PBT contribution by XHTT had increased by RM0.64 million as compared to the FYE 31 December 2012. The increase in PBT contribution was due mainly to the improvement in PBT contributions from our warehousing and distribution operations. The increase was mitigated by the decrease in PBT contribution from our land transport operations as elaborated in Section 12.2.5(i) above.

For the FYE 31 December 2013, PBT margin of XHTT had decreased by 0.33% as compared to the FYE 31 December 2011 due mainly to the decrease in the PBT margin of our cargo transportation services, container haulage services and warehousing and distribution operations as elaborated in Section 12.2.5(i) above.

FYE 31 December 2014

For the FYE 31 December 2014, the PBT contribution by XHTT had increased by RM2.74 million as compared to the FYE 31 December 2013. The increase in PBT contribution was due mainly to the improvement in PBT contributions from our land transport operations and warehousing and distribution operations as elaborated in Section 12.2.5(i) above.

For the FYE 31 December 2014, PBT margin of XHTT had increased by 0.83% as compared to the FYE 31 December 2013 due mainly to the increase in the PBT margin of our container haulage services which was offset by a decrease in PBT margin for our cargo transportation services and warehousing and distribution operations as elaborated in Section 12.2.5(i) above.

XHAE

FYE 31 August 2011

For the FYE 31 August 2011, the PBT contribution by XHAE had increased by RM0.02 million as compared to the FYE 31 August 2010 due mainly to the increase in PBT contribution by XHAE as elaborated in Section 12.2.3(ii) above whilst administrative expenses, selling and distribution expenses and finance costs had remained relatively constant for the FYE 31 August 2011.

For the FYE 31 August 2011, PBT margin of XHAE had decreased by 0.99% as compared to the FYE 31 August 2010 due mainly to the lower increase in GP contribution as compared to the increase in administrative expenses, selling and distribution expenses and finance costs as elaborated in Section 12.2.3(ii) above.

Notwithstanding that, the PBT generated by XHAE from inter-company transactions will be eliminated for consolidation purpose.

Sixteen (16) months FPE 31 December 2012

For the sixteen (16) months FPE 31 December 2012, the PBT contribution by XHAE had increased by RM0.13 million as compared to the FYE 31 August 2011. This was due mainly to the increase in GP contribution by XHAE as elaborated in Section 12.2.3(ii) above and recognition of other income amounting to RM0.01 million arising from gain on disposal of equipment whilst administrative expenses, selling and distribution expenses and finance costs had increased by only RM0.04 million.

For the sixteen (16) months FPE 31 December 2012, PBT margin of XHAE had decreased by 1.41% as compared to the FYE 31 August 2011 due mainly to the decrease in GP margin as elaborated in Section 12.2.3(ii).

Notwithstanding that, the PBT generated by XHAE from inter-company transactions will be eliminated for consolidation purpose.

FYE 31 December 2013

For the FYE 31 December 2013, the PBT contribution by XHAE had decreased by RM0.39 million as compared to the sixteen (16) months FPE 31 December 2012 due mainly to the decrease in GP contribution by XHAE as elaborated in Section 12.2.3(ii) above. Administrative expenses, selling and distribution expenses and finance costs had decreased by RM0.08 million due mainly to the reduction in business activities of XHAE as depicted in the lower revenue generated coupled with the shorter financial period as compared to the sixteen (16) months FPE 31 December 2012. The decrease in PBT contribution was marginally offset by the increase in other income by RM0.08 million arising from the gain on trading sale of prime movers.

For the FYE 31 December 2013, PBT margin of XHAE had decreased by 4.29% as compared to the sixteen (16) months FPE 31 December 2012 due mainly to the decrease in GP margin as elaborated in Section 12.2.3(ii).

Notwithstanding that, the PBT generated by XHAE from inter-company transactions will be eliminated for consolidation purpose.

FYE 31 December 2014

For the FYE 31 December 2014, the PBT contribution by XHAE had increased by RM0.01 million as compared to the FYE 31 December 2013 due mainly to a decrease in administrative expenses, selling and distribution expenses and finance costs of approximately RM0.07 million.

For the FYE 31 December 2014, PBT margin of XHAE had increased by 1.08% as compared to the FYE 31 December 2013 due mainly to lower administrative expenses.

Notwithstanding that, the PBT generated by XHAE from inter-company transactions will be eliminated for consolidation purpose.

Canggih

For the financial years under review, the PBT contribution and PBT margin of Canggih has remained relatively constant as there was no fluctuation in the rental rate and number of vehicles rented from Canggih by XHTT as well as the administrative expenses. Canggih does not have any selling and distribution expenses as well as finance costs.

Notwithstanding that, the PBT generated by Canggih from inter-company transactions will be eliminated for consolidation purpose.

XHUF

For the four (4) months FPE 31 December 2011, XHUF generated a loss before taxation of RM4,000.00 arising from the administrative expenses incurred. For the FYE 31 December 2012, the PBT generated by XHUF had increased to RM0.18 million amidst a full year operation. For the FYE 31 December 2013, the PBT generated by XHUF had increased marginally by RM0.03 million as compared to the FYE 31 December 2012. There was only a slight increase in PBT contribution as there was no major fluctuation in the number of customers requiring freight forwarding and customs brokerage services from our Group. PBT generated by XHUF for the FYE 31 December 2014 had remained relatively constant as compared to the FYE 31 December 2013.

For the FYE 31 December 2012 and FYE 31 December 2013, the PBT margin had increased from 30.34% to 33.61% and subsequently decreased to 30.81% for the FYE 31 December 2014. The GP margin of XHUF are relatively constant due to the nature of its business which was more administrative and the GP margin of XHUF for the financial years under review has remained relatively constant.

Notwithstanding that, the PBT generated by XHUF from inter-company transactions will be eliminated for consolidation purpose.

(iii) Geographical Location

The PBT analysis by geographical location for the financial years under review is not presented as we do not maintain such information.

12.2.6 Income Tax Expense

	<---------- FYE 31 December ---------->			
	2011	2012	2013	2014
	RM'000	RM'000	RM'000	RM'000
Income tax expense	2,257	2,474	1,793	2,564
Effective tax rate (%)	26.28	16.22	11.36	13.92
Malaysia statutory tax rate (%)	25.00	25.00	25.00	25.00

Our effective tax rate of 26.28% for the FYE 31 December 2011 was higher than the statutory tax rate due principally to certain expenses being disallowed as deductions for taxation purposes. Our effective tax rates of 16.22%, 11.36% and 13.92% for the FYE 31 December 2012, FYE 31 December 2013 and FYE 31 December 2014, respectively were lower than the statutory tax rate due principally to an investment tax allowance granted by MIDA for providing integrated logistics services.

The lower effective tax rate for the FYE 31 December 2013 as compared to the FYE 31 December 2012 was due mainly to the overprovision of income tax in respect of the FYE 31 December 2012.

Upon the expiry of the investment tax allowance granted by MIDA on 17 March 2016, all statutory income generated by our Group thereafter will be subject to the statutory tax rate of 25%.

For illustrative purposes, assuming that XHTT is not granted with investment tax allowance, our income tax expense for the FYE 31 December 2012, FYE 31 December 2013 and FYE 31 December 2014 is estimated to be RM4.62 million, RM3.25 million and RM4.84 million, representing an effective tax rate of 30.31%, 20.57% and 26.26%, respectively.

12.2.7 PAT and PAT Margin

Our PAT contribution and PAT margin analysis for the past four (4) financial years up to the FYE 31 December 2014 are as follows:

(i) Business Activities

The PAT analysis by business activities for the financial years under review are not presented as we do not maintain such information.

(ii) Companies

PAT contribution	<---------- FYE 31 December ---------->							
	2011		2012		2013		2014	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
XHH	-	-	-	-	(25)	(0.18)	(222)	(1.40)
XHTT	5,788	91.42	12,209	95.51	13,465	96.28	15,445	97.41
XHAE*	242	3.82	349	2.73	34	0.24	41	0.26
Canggih	368	5.81	383	2.99	393	2.81	369	2.33
XHUF	(4)	(0.06)	140	1.10	157	1.12	145	0.91
	6,394	100.99	13,081	102.33	14,024	100.27	15,778	99.51
Consolidation adjustments#	(63)	(0.99)	(298)	(2.33)	(38)	(0.27)	78	0.49
Total	**6,331**	**100.00**	**12,783**	**100.00**	**13,986**	**100.00**	**15,856**	**100.00**

Notes:

* XHAE changed its accounting year end from 31 August to 31 December. Hence, the pro forma financial information of our Group for the FYE 31 December 2012 takes into account the financial information of XHAE for the sixteen (16) months FPE 31 December 2012.

\# Being elimination of inter-company transactions.

PAT margin*	<---------- FYE 31 December ---------->			
	2011	2012	2013	2014
	%	%	%	%
XHH	-	-	N/A	N/A
XHTT	7.75	13.25	13.70	14.02
XHAE	6.24	5.20	1.55	2.44
Canggih	68.15	70.93	73.73	69.49
XHUF	N/A	24.14	26.25	24.41

Notes:

* The PAT margin was derived before elimination of inter-company transactions.

N/A Not applicable as these companies did not generate any revenue for the financial year under review.

The individual PAT contribution and PAT margin from our Subsidiaries is predominantly affected by the respective Subsidiaries' PBT contribution and income tax expense. Please refer to Section 12.2.5 of this Prospectus for further details of PBT contribution and Section 12.2.6 for further details of income tax expense.

Our Group's PAT and PAT margin for the financial years under review are as follows:

	<---------- FYE 31 December ---------->			
	2011	**2012**	**2013**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
PAT	6.331	12,783	13,986	15,856
PAT margin (%)	8.51	14.01	14.29	14.33

Our Group's PAT increased from RM6.33 million for the FYE 31 December 2011 to RM15.86 million for the FYE 31 December 2014, representing a CAGR of 35.82%, while PAT margin increased 5.82% from the FYE 31 December 2011 to the FYE 31 December 2014 due mainly to the tax incentive granted by MIDA as explained in Section 12.2.6 of this Prospectus.

(iii) Geographical Location

The PAT analysis by geographical location for the financial years under review is not presented as we do not maintain such information.

12.3 Factors and Trends Affecting Future Financial Condition and Results

Factors that may cause future financial condition and operation results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere of this Prospectus, particularly the risk factors as set out in Section 4 of this Prospectus.

Save as disclosed in Section 4 of this Prospectus, our results of operations and financial conditions in the coming future may be affected by the following factors:

- the expansion of our warehousing capacity through the construction of a new warehouse. The expansion of our warehousing capacity will allow us to cater for the increasing demand for our Group's warehousing services;

- the expansion of our fleet of vehicles through the acquisition of prime movers and trucks coupled with the investment to manufacture and fabricate variety of trailers to cater to a wider pool of customers. The expansion of our Group's fleet of vehicles is on-going and will be undertaken annually as and when required;

- the opening of one (1) branch office in Kemaman, Terengganu Darul Iman. This will allow us to establish our presence in the east coast of Peninsular Malaysia; and

- investment tax allowance granted by MIDA for providing integrated logistics services.

The above discussion is based on our Directors knowledge and experience of our business, operations and management, current economic and operating conditions and various assumptions regarding future events and actions to be taken by us.

Our competitive advantages and key strengths as set out in Section 6.1.4 of this Prospectus provided the foundation for the sustainability of our business and financial growth. Our future plans, strategies and prospects as set out in Section 6.22 of this Prospectus will further contribute to the sustainable growth of our financial performance.

12.4 Significant Factors Materially Affecting Our Group's Operations and Profits

In addition to the factors and trends set out in Section 12.8 of this Prospectus, the main factors that have affected and are expected to continue to affect our profits include but are not limited to the following:

(i) Competitive Advantages and Key Strengths

Our competitive advantages and key strengths will provide a platform for continuing growth and success. These include the following:

- we are an integrated logistics service provider;
- we have an in-house manufacturing, fabrication and maintenance centre;
- we have a sizeable fleet of vehicles;
- we are able to carry out in-house refurbishment of used prime movers;
- we have a wide geographical presence across Peninsular Malaysia;
- we have an established relationship with customers; and
- we have an experienced management team.

Please refer to Section 6.1.4 of this Prospectus for further details on our competitive advantages and key strengths.

(ii) Indnstry Outlook

The general outlook of the overall logistics industry is dependent on the following factors:

- on-going implementation of government initiatives;
- expansion in the global and local economies;
- changing structure of Malaysia's exports;
- broad range of end-user markets; and
- growing prominence of electronic commerce.

Please refer to Section 7 of this Prospectus for further details on the industry outlook.

(iii) Non-Renewal or Revocation of Vehicle Permits and / or Business Licences

Companies providing land transportation services are required to obtain permits for the vehicles used in providing land transportation services as well as relevant business licences to operate its land transport operations and warehousing and distribution operations. As such, the event of non-renewal or revocation of such vehicle permits and / or business license could have an adverse impact on the land transport operations of our Group as we will be unable to carry on our business without such valid permits and licences.

Please refer to Section 4 of this Prospectus for further details and mitigating factors relating to non-renewal or revocation of vehicle permits and / or business licences.

(iv) Fluctuations in Fuel Prices

For companies providing transportation services, the main source of input is fuel. As such, increase in the prices of fuel could result in an increase in our cost of sales, thus adversely affecting our operations and financial results. This may also reduce our price competitiveness if such increase in fuel prices is passed on to our customers.

Please refer to Section 4 of this Prospectus for further details and mitigating factors relating to the fluctuations in fuel prices.

(v) Impact of Inflation

There was no material impact of inflation on our Group's historical financial results for the financial years under review. Furthermore, due to the nature of our business, we are able to transfer any increase in cost to our customers to maintain our GP margin.

(vi) Government / Economic / Fiscal / Monetary Policies

Risks relating to government, economic, fiscal or monetary policies or factors, which may materially affect our operations, are set out in Section 4 of this Prospectus.

There was no government, eeonomic, fiscal or monetary policies or factors that have materially affected or could materially affect our Group's operations for the past four (4) financial years up to the FYE 31 December 2014.

Please refer to Section 4 of this Prospectus for further factors that may have an impact on our Group's financial position and results of operations.

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12.5 Capitalisation and Indebtedness

The following information should be read in conjunction with the Reporting Accountants' Letter on the Compilation of Pro forma Financial Information and Accountants' Report as set out in Sections 11 and 13 of this Prospectus respectively.

The following table shows our cash and cash equivalents, indebtedness and capitalisation of our Group as at 31 December 2014:

	Audited as at 31 December 2014	**After Acquisitions, Public Issue and utilisation of proceeds**
	RM'000	**RM'000**
Cash and cash equivalents	7,515	11,293
Indebtedness		
Current		
Secured:		
Bank overdraft	697	697
Bankers' acceptance	5,439	5,439
Hire purchase	370	370
Term loan	3,919	3,919
	10,425	10,425
Non-current		
Secured:		
Hire purchase	222	222
Term loan	34,234	30,484
	34,456	30,706
Total indebtedness	44,881	41,131
Capitalisation		
Total shareholders' equity excluding NCI	86,233	109,169
Total capitalisation and indebtedness	131,114	150,300

12.6 Liquidity and Capital Resources

12.6.1 Working Capital

Our Group have been financing our operations via a combination of internally generated funds and bank borrowings. Our principal utilisation of funds has been for working capital and purchase of property, plant and equipment. As at the FYE 31 December 2014, our Group have cash and cash equivalents of RM7.52 million and bank borrowings of RM44.88 million. As at the FYE 31 December 2014, our total borrowings, after incorporating the effects of the Acquisitions and our IPO, are set out in Section 12.5 of this Prospectus.

After incorporating the effects of our Public Issue and utilisation of proceeds, as at the FYE 31 December 2014, our Group has cash and cash equivalents of approximately RM11.29 million and total bank borrowings of approximately RM41.13 million. Our Group's debt to equity ratio as at the FYE 31 December 2014 is 0.38 times after incorporating the effects of our Public Issue and the utilisation of proceeds.

Our Directors are of the opinion that, after taking into consideration the current cash and cash position of our Group, the expected funds to be generated from operating activities, amount available under our existing banking facilities and the proceeds expected to be raised from the Public Issue, our Group will have adequate working capital to meet our present and foreseeable requirements for a period of twelve (12) months from the date of this Prospectus.

12.6.2 Pro Forma Consolidated Statement of Cash Flows Summary

The following is a summary of our pro forma consolidated statement of cash flows for the FYE 31 December 2014 and should be read in conjunction with the Reporting Accountants' Letter on the Compilation of Pro Forma Financial Information as set out in Section 13 of this Prospectus.

	Audited FYE 31 December 2014 RM'000
Net cash generated from operating activities	16,452
Net cash used in investing activities	(33,069)
Net cash generated from financing activities	18,577
Net increase in cash and cash equivalents	1,960
Opening balance of cash and cash equivalents	5,555
Closing balance of cash and cash equivalents	**7,515**

Most of our cash and cash equivalents are held in RM.

Our Directors are of the opinion that there are no legal, financial or economic restrictions on the ability of our Subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances and are therefore confident that we can meet our cash obligations.

(i) Net Cash Generated from Operating Activities

For the FYE 31 December 2014, our Group generated positive net cash of approximately RM16.45 million from our ordinary course of business. The net cash generated from operating activities also comprised of adjustments for non-cash items including depreciation of property, plant and equipment of approximately RM4.12 million and allowance for impairment losses on trade receivables of approximately RM0.02 million.

In addition, working capital changes during the FYE 31 December 2014 arose mainly from the following:

(a) decrease in inventories of approximately RM0.48 million as our Group has maintained a lower buffer of inventories due mainly to a decrease in the demand of new trailers;

(b) increase in trade and other receivables of approximately RM3.32 million attributable mainly to higher revenue achieved for the FYE 31 December 2014; and

(c) decrease in trade and other payables of approximately RM1.86 million due mainly to early settlement of trade payables in order to obtain better pricing from our suppliers.

Also, approximately RM1.37 million was used to pay income tax during the financial year.

(ii) Net Cash Used in Investing Activities

For the FYE 31 December 2014, the net cash used in investing activities amounted to approximately RM33.07 million. Approximately RM33.60 million was utilised for the purchase of property, plant and equipment. Cash flow from investing activities comprise of proceeds from disposal of available-for-sale financial asset and interest received.

(iii) Net Cash Generated from Financing Activities

For the FYE 31 December 2014, the net cash generated from financing activities amounted to approximately RM18.58 million. Cash outflow consist of repayment of term loans and hire purchase of approximately RM3.74 million. Our Group drawdown term loans and bankers' acceptance of approximately RM22.32 million for working capital and capital expenditure requirements.

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12.6.3 Borrowings

The table below sets forth our total outstanding bank borrowings as at 31 December 2014.

Borrowings	Audited 31 December 2014 RM '000
Secured short-term borrowings	
Bank overdraft	697
Bankers' acceptance	5,439
Hire purchase	370
Term loan	3,919
Total secured short-term borrowings	**10,425**
Secured long-term borrowings	
Hire purchase	222
Term loan	34,234
Total secured long-term borrowings	**34,456**
Total borrowings	**44,881**
Pro forma gearing ratio (times)[(a)]	**0.52**

Note:

(a) Computed based on the total interest bearing borrowings over our pro forma shareholders' equity excluding NCI (after the Acquisitions but before our IPO and utilisation of proceeds) as at 31 December 2014 of RM86.23 million.

Our Group's borrowings were all denominated in RM. Our hire purchase and term loans were mainly utilised to part finance the purchase of property, plant and equipment which comprise mostly of land, prime movers and multi axle trailers as well as for the capital expenditure such as construction of warehouse. Our bankers' acceptance was utilised for working capital. The effective interest rates of our Group's borrowings were as follows:

Borrowings	Interest rate
Secured borrowings	
Short-term	4.45% to 8.45%
Long-term	4.45% to 6.61%

There was no default on payments of either interest and or principal sums in respect of any borrowings throughout the past one (1) financial year and up to the LPD. Our Group is not in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operation, or the investments by holders of securities in us.

Currently, our Group does not have any interest rate hedging policy or any foreign borrowings. We will monitor the interest rate movement and will take the necessary steps to minimise interest rate risk whenever deemed appropriate such as implementing a hedge policy. We will endeavour to manage our interest rate risk by maintaining a mix of fixed and floating rate borrowings where necessary. However, no assurance can be given that any future significant movement in interest rate will not have a material adverse impact on our business, operating results and financial position.

12.6.4 Type of Financial Instruments Used

For the FYE 31 December 2014, approximately 9.99% of our Group's operations are carried out overseas. To mitigate the fluctuations in currency exchange, our Group maintains a SGD denominated account for all our overseas transactions.

Our Group has not entered into any foreign currency forward contract to hedge against the possibility of adverse fluctuations in the foreign exchange rate.

12.6.5 Treasury Policies and Objectives

We have been financing our operations through internally generated funds as well as external sources of funds. Our external sources of funds comprised mainly of bank borrowings. All funds sourced internally and externally are in RM. Details of our bank borrowings are provided in Section 12.6.3 of this Prospectus.

Our borrowings comprise of hire purchase, term loans and bankers' acceptance. The interest rates for hire purchase, terms loans and bankers' acceptance are based on both fixed and floating rate agreed upon by our bankers when the respective hire purchase, term loans and bankers acceptance were granted.

12.6.6 Material Litigation / Arbitration, Contingent Liabilities and Material Commitments for Capital Expenditure

(i) Material Litigation / Arbitration

As at the LPD, there are no material litigation, claims or arbitration which, upon becoming enforceable, may have a material adverse effect on our results of operations or financial condition of our Group.

(ii) Contingent Liabilities

As at the LPD, there are no material contingent liabilities, which upon becoming enforceable may have a substantial impact on the financial position of our Group.

(iii) Material Commitments for Capital Expenditure

Save as disclosed below, as at the LPD, our Group does not have any material capital commitments for capital expenditure, which upon becoming enforceable, may have a material effect on our financial position.

	RM'000
Approved and contracted for:	
- Construction of a new warehouse	7,244

Further details on the construction of a new warehouse are set out in Sections 3.9 and 6.18.5 of this Prospectus.

The above commitment will be partly financed by the proceeds obtained from the Public Issue and is expected to be fully utilised within twenty four (24) months from the date of Listing.

12.7 Key Financial Ratios

Our key financial ratios for the past four (4) financial years up to the FYE 31 December 2014 are as follows:

	<---------- FYE 31 December ---------->			
Key financial ratios	**2011**	**2012**	**2013**	**2014**
Trade receivables turnover days[(a)]	110	95	92	85
Trade payables turnover days[(b)]	99	78	66	43
Inventory turnover days[(c)]	1	2	7	4
Current ratio (times)[(d)]	1.05	1.27	1.33	1.50
Gearing ratio (times)[(e)]	0.66	0.52	0.36	0.52

Notes:

(a) Based on the closing balance of trade receivables of the respective financial years over the revenue of the respective financial years.

(b) Based on the closing balance of trade payables of the respective financial years over the cost of sales of the respective financial years.

(c) Based on the closing balance of inventory of the respective financial years over the cost of sales of the respective financial years.

(d) Based on the total current assets over the total current liabilities of the respective financial years

(e) Based on the total interest bearing borrowings over the shareholders' equity of the respective financial years.

(i) Trade Receivables Turnover

The trade receivables turnover period indicates that our Group's receipts are within the credit term granted to our customers which ranges from thirty (30) days to 120 days. As at 31 December 2014, approximately 72.04% (412 customers) and 6.09% (8 customers) of our trade receivables are granted with credit term of thirty (30) days and 120 days respectively. The trade receivables predominantly consist of recurring customers who consistently engage us in the provision of land transport services for them. Our trade receivables turnover days decreased from 110 days for the FYE 31 December 2011 to eighty five (85) days for the FYE 31 December 2014 due to prompt payment by our customers as a result of our ongoing efforts in monitoring and collection of debts.

An ageing analysis of our trade receivables as at 31 December 2014 is as follows:

	Total RM'000	0 – 30 days RM'000	31 -60 days RM'000	61 – 90 days RM'000	91 -120 days RM'000	> 120 days RM'000
XHH	-	-	-	-	-	-
XHTT	25,547	10,525	8,353	3,479	1,550	1,640
XHAE	101	-	-	-	-	101
Canggih	-	-	-	-	-	-
XHUF	9	7	1	*	1	-
Trade receivables	**25,657**	**10,532**	**8,354**	**3,479**	**1,551**	**1,741**
% of total trade receivables (%)	***100.00***	***41.05***	***32.56***	***13.56***	***6.04***	***6.79***
As at the LPD:						
Subsequent collections	22,937	9,252	7,846	3,240	1,296	1,303
% of total trade receivables (%)	*89.40*	*36.06*	*30.58*	*12.63*	*5.05*	*5.08*
Net trade receivables	**2,720**	**1,280**	**508**	**239**	**255**	**438**
% of total trade receivables (%)	***10.60***	***4.99***	***1.98***	***0.93***	***0.99***	***1.71***

Note:

* Less than RM500.

As at the LPD, a total of RM22.94 million, which represents 89.40% of the total outstanding trade receivables as at 31 December 2014 has been subsequently collected.

From the remaining uncollected balance of RM2.72 million, approximately RM0.44 million was in excess of 120 days as at 31 December 2014. These long overdue balances are primarily due to a dispute with a customer amounting to RM0.24 million which the Company is currently in the midst of negotiating a settlement, albeit at a discount. The Group still has business dealings with this customer and other invoices have not been in dispute. As at the LPD, notwithstanding the settlement negotiations, this amount has been fully provided for in the financial statements of the Group.

The remaining balance of RM0.20 million of our trade receivables (net of subsequent collections as at the LPD) outstanding for more than 120 days as at 31 December 2014, were due mainly to late payment by numerous customers who have requested for an extended credit term for repayment as a result of delay in collection from their clients. The extended credit terms were granted after taking into consideration the payment history and our relationship with these customers.

Our Group's trade receivables turnover period is adequately managed and is consistent with our policy for credit control purposes. Our Directors are of the opinion that the remaining outstanding amounts are recoverable after taking into consideration our tight credit control procedures to limit the payment default of our customers. Nonetheless, our Group will assess the impairment of trade receivables on an individual customer basis for trade receivables balances which exceeded normal credit period by more than 180 days.

(ii) Trade Payables Turnover

The trade payables turnover period indicates that our Group's repayment is within the credit term granted by our suppliers which ranges from thirty (30) days to one hundred twenty (120) days. Our Group believes the timely settlement with suppliers will benefit our Group in terms of favourable pricing for the steel and spare parts for our vehicles and trailers from our suppliers. In addition, prompt payment for fuel is key to ensure that there is no disruption to our Group's land transport operations. Our trade payables turnover days decreased from ninety nine (99) days for the FYE 31 December 2011 to forty three (43) days for the FYE 31 December 2014. This was due mainly to prompt payment to our suppliers in order to secure timely and consistent supply of materials and to maintain good relationships with our suppliers.

An ageing analysis of our trade payables as at 31 December 2014 is as follows:

	Total	**0 – 30 days**	**31 -60 days**	**61 – 90 days**	**91 -120 days**	**> 120 days**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
XHH	-	-	-	-	-	-
XHTT	8,289	2,614	1,867	966	813	2,029
XHAE	165	70	27	36	32	-
Canggih	-	-	-	-	-	-
XHUF	117	47	27	*	-	43
Trade payables	**8,571**	**2,731**	**1,921**	**1,002**	**845**	**2,072**
% of total trade payables (%)	*100.00*	*31.86*	*22.41*	*11.69*	*9.86*	*24.18*
As at the LPD:						
Subsequent payments	6,795	2,161	1,534	772	676	1,652
% of total trade payables (%)	*79.28*	*25.21*	*17.90*	*9.01*	*7.89*	*19.27*
Net trade payables	**1,776**	**570**	**387**	**230**	**169**	**420**
% of total trade payables (%)	*20.72*	*6.65*	*4.52*	*2.68*	*1.97*	*4.90*

Note:

* Less than RM500.

As at the LPD, a total of RM6.80 million, which represents 79.28% of the total outstanding trade payables as at 31 December 2014 has been paid to the trade payables.

Based on the above, approximately RM0.42 million, which represents 23.65% of our net trade payables are outstanding for more than 120 days, of which approximately 52.97% was due to dispute with the creditors. We are in the midst of discussion with the creditors on the settlement of the outstanding amount and are expected to repay the amount within three (3) months from the LPD. The remaining 47.03% of our trade payables (net of subsequent payments as at the LPD) outstanding for more than 120 days were due mainly to late payment to the suppliers as extended credit term was granted by the suppliers.

Notwithstanding the funding gap between the collection and payment cycle, evidenced by the longer trade receivables turnover as compared to the trade payables turnover, our Group does not face cash flow problems as we maintain a healthy level of working capital and has ample funding facilities in place. As at the LPD, there are no actions, legal or otherwise, that have been taken against us by trade suppliers for the recovery of debts due to them or due to any default in payment.

(iii) Inventory Turnover

Our inventories consist mainly of parts for the manufacturing and fabrication of trailers such as steel, tyres, engine parts, paint and axle. It is our Group's general practice to maintain a sustainable level of inventories to support the fabrication of trailers.

The inventory turnover days for parts for the manufacturing and fabrication of trailers have been relatively consistent for the FYE 31 December 2011 and FYE 31 December 2012. The increase in the inventory turnover period for the FYE 31 December 2013 was due mainly to the higher inventory level maintained by our Group for repair and maintenance purposes of our enlarged fleet of vehicles and to be prepared for demand of new trailers. The inventory turnover days for parts for the manufacturing and fabrication of trailers had decreased for the period FYE 31 December 2013 to FYE 31 December 2014 due mainly to the lower inventory level maintained by our Group amidst the lower demand for trailers by both XHTT and third parties. Nonetheless, the usage of such inventories is dependent on the condition of our Group's fleet of vehicles and the requirement for new trailers, which varies year to year.

(iv) Current Ratio

Our Group's current ratio has continued to strengthen over the financial years under review. As at 31 December 2012, our current ratio stood at 1.27 times which is 0.22 times higher than the current ratio as at 31 December 2011, due mainly to the increase in receivables. As at 31 December 2013, our current ratio stood at 1.33 times which is 0.06 times higher than the current ratio as at 31 December 2012, due mainly to the increase in cash and cash equivalents of our Group. Our current ratio increased to 1.50 times as at 31 December 2014 due mainly to the increase in cash and cash equivalents and other receivables, deposits and prepayments of our Group.

(v) Gearing Ratio

Amidst the increased borrowings level which was used to part finance the capital expenditure of our Group as evident in the increase in the value of property, plant and equipment, our Group's gearing ratio decreased from 0.66 times as at 31 December 2011 to 0.52 times as at 31 December 2012 due to the increase in the equity of our Group as a result of increased profit. Our Group's gearing ratio decreased from 0.52 times as at 31 December 2012 to 0.36 times as at 31 December 2013 due mainly to the increase in shareholders' equity as a result of the recognition of the revaluation reserve of our properties. As at 31 December 2014, our gearing ratio increased to 0.52 times due mainly to the increase in borrowings of approximately RM19.36 million to part finance the capital expenditure of our Group as evident in the increase in the value of property, plant and equipment.

The information on our Group's borrowings are set out in Section 12.6.3 of this Prospectus.

(vi) State of Order Book

Save for the service contract with relevant ports for the provision of container haulage services and contracts we have with several customers for the engagement as one of their panel land transportation services provider, our business operations are not based on long term contracts as our land transportation services are provided to our customers on an ad-hoc basis, as and when they require the services. In addition, our warehousing and distribution services are provided to customers on an ad-hoc basis, as and when they require and would be for durations on a weekly or monthly basis.

The contracts currently being negotiated with the relevant ports authorise us to provide container haulage services within the relevant ports for a duration of up to two (2) years. The number of container transfer within the relevant ports would be dependent on the activities of the relevant ports.

Despite the absence of long-term contracts with our customers, we do not foresee any termination of our services by our customers, as we work closely with them in various aspects in the provision of providing them logistics solutions.

12.8 Trend information

As at the LPD, to the best of our Directors' knowledge and belief, our operations have not been and are not expected to be affected by any of the following:

(i) known trends, demands, commitments, events or uncertainties that have had, or that our Group reasonably expects to have, a material impact on our Group's financial performance, position and operations other than those discussed in this section and Sections 4, 5, 6 and 7 of this Prospectus;

(ii) material commitments for capital expenditure, as set out in Section 12.6.6 of this Prospectus;

(iii) 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 this section and Section 4 of this Prospectus;

(iv) known trends, demands, commitments, events or uncertainties that have resulted in a material impact on our Group's revenue and / or profits, save for those that had been disclosed in this section and Sections 4, 5, 6 and 7 of this Prospectus;

(v) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed in this section and Sections 4, 5, 6 and 7 of this Prospectus; and

(vi) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and Sections 4, 5, 6 and 7 of this Prospectus.

Information on our Group's business and financial prospects, significant trends in revenue is set out in this section and Sections 6 and 12 of this Prospectus. Discussion on the overview of the logistics industry in Malaysia, its prospects and outlook are further elaborated in Section 7 of this Prospectus.

Based on the outlook of the logistics industry in Malaysia as set out in Section 7 of this Prospectus, our Group's competitive advantages and key strengths, and the future plan and strategies for our Group as set out in Section 6 of this Prospectus, our Board is optimistic about the future prospects of our Group.

12.9 Dividend Forecast and Policy

Our Directors have considered the general principles that they currently intend to apply when recommending dividends for approval by our shareholders or when declaring any interim dividends. The actual dividend that our Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed fit and relevant by our Directors. We may, by ordinary resolution of the shareholders, declare dividends at a general meeting, but no dividend shall exceed the amount recommended by our Board.

In considering the level of dividend, if any, upon recommendation by our Directors, we intend to take into account various factors including:

(i) our expected results of operations;

(ii) required and expected interest expense and taxation, cash flows, our profits and return on equity and retained earnings;

(iii) our projected levels of capital expenditure and other investment plans;

(iv) the prevailing interest rates and yields of the financial market; and

(v) the level of our cash, marketable financial assets and level of indebtedness.

It will be the policy of our Directors in recommending dividends to allow shareholders to participate in the profits of our Group as well as maintaining adequate reserves for the future growth of our Group.

You should note that future dividends proposed and declared, may vary depending on the financial performance and cash flows of our Group and may not occur if the payment of the dividends would adversely affect the cash flows and operations of our Group.

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Crowe Horwath

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21 April 2015

The Board of Directors
Xin Hwa Holdings Berhad
No. 2, Jalan Permatang 2
Kempas Baru
81200 Johor Bahru
Johor Darul Takzim

Dear Sirs

XIN HWA HOLDINGS BERHAD ("XHH" OR "THE COMPANY")
ACCOUNTANTS' REPORT

1. INTRODUCTION

This report has been prepared by Messrs. Crowe Horwath, an approved company auditor and a firm of chartered accountants registered in Malaysia, for inclusion in the Prospectus of XHH in connection with the listing of XHH on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The details of the listing scheme are disclosed in Section 2.2 of this report.

1.1 ABBREVIATIONS

Unless the context otherwise requires, the following abbreviations shall apply throughout this report:

Abbreviations

XHH or Company	Xin Hwa Holdings Berhad (1032102-P)
XHTT	Xin Hwa Trading & Transport Sdn Bhd (447397-X)
XHAE	Xin Hwa Auto Engineering Sdn Bhd (659918-D)
Canggih	Canggih Logistik Sdn Bhd (626528-V)
XHUF	XH Universal Forwarding Sdn Bhd (957938-M)
Group	Xin Hwa Holdings Berhad and its subsidiary companies
MASB	Malaysian Accounting Standards Board
MFRS	Malaysian Financial Reporting Standards
FPE	Financial Period Ended
FYE	Financial Year Ended

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1. INTRODUCTION (CONT'D)

1.1 ABBREVIATIONS (CONT'D)

Abbreviations

PERS	Private Entity Reporting Standards
Shares	Ordinary shares of RM0.50 each in XHH
RM and sen	Ringgit Malaysia and sen, respectively
SGD	Singapore Dollar

2. GENERAL INFORMATION

2.1 INCORPORATION AND PRINCIPAL ACTIVITIES OF XHH

XHH was incorporated in Malaysia under the Companies Act, 1965 on 18 January 2013 as a private limited company. On 26 June 2013, the Company was converted to a public limited company.

XHH's principal activities are investment holding and provision of management services. The principal activities of the subsidiary companies are set out in Section 2.4 of this report.

2.2 LISTING EXERCISE

In conjunction with and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of XHH on the Main Market of Bursa Securities ("the Listing Scheme"), XHH will implement the following:-

(i) Acquisition of Subsidiaries

XHH has entered into four (4) conditional Sale and Purchase Agreements dated 30 April 2014 to acquire the equity interests in the following companies:-

(a) Acquisition of the entire equity interest of XHTT for a purchase consideration of RM65,216,997 to be satisfied by the issuance of 130,433,994 new Shares at par value.

(b) Acquisition of the entire equity interest of XHAE for a purchase consideration of RM2,364,000 to be satisfied by the issuance of 4,728,000 new Shares at par value.

(c) Acquisition of the entire equity interest of Canggih for a purchase consideration of RM3,409,000 to be satisfied by the issuance of 6,818,000 new Shares at par value.

2. GENERAL INFORMATION (CONT'D)

2.2 LISTING EXERCISE (CONT'D)

(i) Acquisition of Subsidiaries (Cont'd)

(d) Acquisition of 30% equity interest of XHUF for a purchase consideration of RM119,000 to be satisfied by the issuance of 238,000 new Shares at par value.

(ii) Public Issue

The Public Issue of 37,782,000 new Shares, representing approximately 20.99% of the enlarged issued and paid-up share capital of XHH at an issue price of RM0.70, to be allocated in the following manner:

- 9,000,000 new Shares available for application by the Malaysian public;
- 3,000,000 new Shares available for application by the eligible directors, employees and other persons who have contributed to the success of the Group;
- 2,000,000 new Shares available for application by Bumiputera investors approved by the Ministry of International Trade and Industry, Malaysia ("MITI"); and
- 23,782,000 new Shares available for application by way of private placement to selected investors.

(iii) Offer for Sale

The Offer for Sale of 16,218,000 Shares, representing approximately 9.01% of the enlarged issued and paid-up share capital of XHH at an offer price of RM0.70, by way of placement to Bumiputera investors approved by MITI.

(iv) Share Transfer

Upon completion of the Public Issue and Offer for Sale, the Promoters will hold an aggregate of 125,999,998 Shares. During the prescription period, the Promoters will transfer 125,999,998 Shares to NF Capital Management Sdn Bhd ("NF Capital"), a private holding company, at consideration of RM62,999,999 to be satisfied partly by the issuance of 99,899 new ordinary shares of RM1.00 each in NF Capital to be issued at par and the remaining balance of RM62,900,100 will remain as an amount owing from NF Capital to the Promoters.

(v) Listing

The admission and the listing of and quotation for the entire enlarged issued and paid-up share capital of RM90,000,000 comprising 180,000,000 Shares on the Main Market of Bursa Securities will be sought.

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2. GENERAL INFORMATION (CONT'D)

2.3 SHARE CAPITAL

The authorised share capital of XHH as at the date of incorporation was RM100,000 comprising 100,000 ordinary shares of RM1.00 each. On 14 October 2013, the authorised share capital of XHH is altered by subdividing the 100,000 ordinary shares of RM1.00 each into 200,000 ordinary shares of RM0.50 each. On 1 April 2015, the authorised share capital of XHH was increased from RM100,000 comprising 200,000 ordinary shares of RM0.50 each to RM500,000,000 comprising of 1,000,000,000 ordinary shares of RM0.50 each.

The details of changes in the issued and fully paid-up share capital of XHH since its incorporation are as follows:

Date of allotment	*Type of issue*	*No. of ordinary shares issued or to be issued*	*Par value RM*	*Cumulative issued and paid-up share capital RM*
18 January 2013	Subscribers shares	2	1.00	2
14 October 2013	Subdivision of shares	4	0.50	2
1 April 2014	Cash	2	0.50	3
1 April 2015	Other than cash	142,217,994	0.50	71,109,000

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2. GENERAL INFORMATION (CONT'D)

2.4 SUBSIDIARY COMPANIES

Details of the subsidiary companies under the Group upon listing are as follows:-

Name of companies	Relationship with XHH	Date of incorporation	Country of incorporation	Issued and paid-up capital	Effective equity interest	Principal activities
XHTT	Subsidiary	19 September 1997	Malaysia	1,000,000	100%	Provision of cargo transportation services, container haulage services as well as warehousing and distribution services.
XHAE	Subsidiary	19 July 2004	Malaysia	100,000	100%	Manufacturing and fabrication of trailers.
Canggih	Subsidiary	28 August 2003	Malaysia	1,000,000	100%	Provision of cargo transportation services and rental of prime movers, trailers and trucks.
XHUF	Subsidiary	22 August 2011	Malaysia	100,000	30%*	Provision of freight forwarding and customs brokerage services.

Note:

* - XHUF is deemed as a subsidiary of XHH pursuant to MFRS 10 as XHH controls XHUF via its rights to variable returns from its involvement with XHUF and XHH has the ability to affect those returns through its power over XHUF.

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3. DIVIDENDS

No dividend has been paid or declared by XHH since the date of its incorporation.

Details of dividends paid or proposed by the subsidiary companies of XHH for the financial years under review are as follows:

Company	Related to	Paid on	Type of dividend	Dividend rate RM / Share	Net amount (RM'000)
XHTT	FYE 31 December 2013	25 October 2013	1st interim dividend	RM1.649	1,649
XHTT	FYE 31 December 2013	25 October 2013	2nd interim dividend	RM0.220	220
XHTT	FYE 31 December 2013	27 May 2014	3rd interim dividend	RM0.425	425

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4. RELEVANT FINANCIAL PERIODS AND AUDITORS

The auditors of XHH and its subsidiaries for the relevant FYE/FPE are as follows:-

Company	Relevant financial periods	Accounting standards applied	Auditors	Auditors' Report
XHH	FPE from 18 January 2013 (date of incorporation) to 31 December 2013	MFRS	Messrs. Crowe Horwath	Appendix I
	FYE 31 December 2014	MFRS	Messrs. Crowe Horwath	Appendix II
XHTT	FYE 31 December 2011	PERS	Messrs. McMillan Woods CK	Appendix III
	FYE 31 December 2012	PERS	Messrs. Crowe Horwath	Appendix IV
	FYE 31 December 2013	MFRS	Messrs. Crowe Horwath	Appendix V
	FYE 31 December 2014	MFRS	Messrs. Crowe Horwath	Appendix VI
XHAE	FYE 31 August 2011	PERS	Messrs. McMillan Woods CK	Appendix VII
	FPE from 1 September 2011 to 31 December 2012	PERS	Messrs. Crowe Horwath	Appendix VIII
	FYE 31 December 2013	MFRS	Messrs. Crowe Horwath	Appendix IX
	FYE 31 December 2014	MFRS	Messrs. Crowe Horwath	Appendix X
Canggih	FYE 31 December 2011	PERS	Messrs. McMillan Woods CK	Appendix XI
	FYE 31 December 2012	PERS	Messrs. Crowe Horwath	Appendix XII
	FYE 31 December 2013	MFRS	Messrs. Crowe Horwath	Appendix XIII
	FYE 31 December 2014	MFRS	Messrs. Crowe Horwath	Appendix XIV
XHUF	FPE from 22 August 2011 (date of incorporation) to 31 December 2011	PERS	Messrs. McMillan Woods CK	Appendix XV
	FYE 31 December 2012	PERS	Messrs. Crowe Horwath	Appendix XVI
	FYE 31 December 2013	MFRS	Messrs. Crowe Horwath	Appendix XVII
	FYE 31 December 2014	MFRS	Messrs. Crowe Horwath	Appendix XVIII

The auditors' reports on the respective financial statements included in this report were not subject to any qualification or emphasis of matter.

There were no exceptional items in all the financial years/periods under review.

We have reviewed the financial statements of XHTT for FYE 31 December 2011 and FYE 31 December 2012 for the conversion to MFRS in Malaysia, prepared for the purpose of this report. The adoption of MFRS did not have any material financial effect on the financial statements of XHTT except as disclosed in Section 5.1.1(A).

We have reviewed the financial statements of XHAE for FYE 31 August 2011 and FPE 31 December 2012 for the conversion to MFRS in Malaysia, prepared for the purpose of this report. The adoption of MFRS did not have any material financial effect on the financial statements of XHAE.

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4. RELEVANT FINANCIAL PERIODS AND AUDITORS (CONT'D)

We have reviewed the financial statements of Canggih for FYE 31 December 2011 and FYE 31 December 2012 for the conversion to MFRS in Malaysia, prepared for the purpose of this report. The adoption of MFRS did not have any material financial effect on the financial statements of Canggih.

We have reviewed the financial statements of XHUF for FYE 31 December 2011 and FYE 31 December 2012 for the conversion to MFRS in Malaysia, prepared for the purpose of this report. The adoption of MFRS did not have any material financial effect on the financial statements of XHUF.

5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

5.1 BASIS OF PREPARATION

5.1.1 New MFRSs, Amendment to MFRSs and IC Interpretations adopted

For FYE 31 December 2013, the Group has applied MFRS 1, First-Time Adoption of Malaysian Financial Reporting Standards, in preparing these financial statements. The transition date to MFRS is 1 January 2012. Except as disclosed in Section 5.1.1(A) and additional disclosure requirements in the notes to the financial statements, there were no significant differences between MFRS and PERS on the Group's financial statements.

The Group has applied MFRS 7 prospectively in accordance with the transitional provision. Accordingly, the new disclosures have not been applied to the comparatives and are included throughout the Group's financial statements from the FYE 31 December 2013 onwards.

The transition from PERS to MFRS did not materially affect XHTT, XHAE, Canggih, XHUF's reported financial position, financial results and cash flows other than as disclosed below:

(A) <u>XHTT</u>

(I) <u>Investment property</u>

Prior to 1 January 2012, investment property was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment loss, if any.

Under the requirement of MFRS 140, properties held to earn rentals or for capital appreciation and could be sold separately or leased out separately should be accounted for as investment properties.

This change in accounting policy is to be applied retrospectively. Therefore, the carrying amount of property previously classified under property, plant and equipment is retained as the carrying amount of investment property. There were no financial impacts on the statement of profit or loss and other comprehensive income for FYE 31 December 2011 and 2012.

The effects of MFRS 140 on the statement of financial position are disclosed in Section 7.2.34.

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5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 BASIS OF PREPARATION (CONT'D)

5.1.1 New MFRSs, Amendment to MFRSs and IC Interpretations adopted (Cont'd)

The transition from PERS to MFRS did not materially affect XHTT, XHAE, Canggih, XHUF's reported financial position, financial results and cash flows other than as disclosed below (Cont'd):

(II) Other investment

Under PERSs, the Company measured its quoted investment at cost. Under the requirement of MFRS 139, if the entity has the intention and ability to hold that financial asset for the foreseeable future, the investment should be accounted for as available for sale financial assets and measured at fair value.

The financial impacts arising from the change are disclosed in Section 7.2.34.

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the MASB but are not yet effective for the current financial year:-

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2017
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	1 January 2016
Amendments to MFRS 119: Defined Benefits Plans – Employee Contributions	1 July 2014
Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2010 – 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle	1 July 2014
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

The above accounting standards and interpretations (including the consequential amendments) are not expected to have any significant financial impact to the financial statements of the entities in the Group.

5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2 CONSISTENCY OF APPLICATION OF ACCOUNTING POLICIES

This report is prepared on a basis consistent with the accounting policies adopted by the Group as disclosed in Section 5.3 below.

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(i) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Impairment of Non-Financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

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5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Critical Accounting Estimates and Judgements (Cont'd)

(iv) Write down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of the inventories.

(v) Classification between Investment Properties and Owner-occupied Properties

The Group determines whether a property qualifies as an investment property, and has developed a criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(vi) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer creditworthiness and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

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5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Critical Accounting Estimates and Judgements (Cont'd)

(vii) Revaluation of Properties

Certain properties of the Group are reported at valuation which is based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market freehold rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

(viii) Impairment of Available-for-sale Financial Assets

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant' or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(ix) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

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5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(i) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

An acquisition that resulted in a business combination involving common control entities is outside the scope of MFRS 3 Business Combinations. For such common control combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the audited financial statements.

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5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (Cont'd)

(i) Business Combinations (Cont'd)

In applying merger accounting, financial statements items of the combining entities or businesses for the reporting period in which common control combination occurs are included in the audited financial statements of the Group as if the combination had occurred from the date when the combining entities or businesses first come under the control of the controlling party or parties.

(ii) Non-Controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(iii) Changes In Ownership Interests In Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(iv) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

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5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (Cont'd)

(iv) Loss of Control (Cont'd)

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly venture.

(c) Functional and Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

(ii) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(d) Financial Instruments

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

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5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial Instruments (Cont'd)

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(i) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

- *Financial Assets at Fair Value Through Profit or Loss*

  At the end of the reporting period, there were no financial assets classified under this category.

- *Held-to-maturity Investments*

  At the end of the reporting period, there were no financial assets classified under this category.

- *Loans and Receivables Financial Assets*

  Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

  Loan and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

- *Available-for-sale Financial Assets*

  Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

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5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial Instruments (Cont'd)

(i) Financial Assets (Cont'd)

- *Available-for-sale Financial Assets (Cont'd)*

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

(ii) Financial Liabilities

All financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of liability for at least 12 months after the reporting date.

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5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial Instruments (Cont'd)

(iii) Equity Instruments

Instruments classified as equity are measured at cost and are not remeasured subsequently.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Investment in Subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of investment in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

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5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Property, Plant and Equipment

Property, plant and equipment, other than freehold land, leasehold land, building and warehouse, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Freehold land is stated at valuation less impairment losses recognised after the date of the revaluation. Freehold land is not depreciated. Leasehold land, building and warehouse are stated at revalued amount less accumulated depreciation and impairment losses recognised after the date of the revaluation.

Freehold land, leasehold land, building and warehouse are revalued periodically, at least once in every 5 years. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

Depreciation is charged to profit or loss on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset become idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Building and warehouse	2%
Furniture and fittings and office equipment	10% - 20%
Leasehold land	Over the remaining lease period
Trucks, low loader, prime mover, trailer and forklift	10%
Motor vehicles	20%
Plant and machinery	10%
Renovation	10%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

Assets under construction represent assets which are not ready for commercial use at the end of reporting period. Assets under construction are stated at cost, and are depreciated accordingly when the assets are completed and ready for commercial use.

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5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Property, Plant and Equipment (Cont'd)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

(g) Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is stated at cost less impairment losses, if any.

Investment property is derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

(h) Impairment

(i) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment (Cont'd)

(i) Impairment of Financial Assets (Cont'd)

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 136 – Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Assets under Hire Purchase

Assets acquired under hire purchase are capitalised in the financial statements at the lower of the fair value of the leased assets and the present value of the minimum lease payments and, are depreciated in accordance with the policy set out in Section 5.3(f) above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are recognised in profit or loss over the period of the respective hire purchase agreements.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of raw materials is determined on the first-in-first-out basis and comprises the purchase price, production costs and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods includes the cost of materials, labour and appropriate proportion of production overheads.

Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

(k) Income Taxes

Income tax for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

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5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Income Taxes (Cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

(l) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(m) Employee Benefits

(i) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

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5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Related Parties

A party is related to an entity (referred to as the "reporting entity") if:-

(a) A person or a close member of that person's family is related to a reporting entity if that person:-

(i) has control or joint control over the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:-

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a) above.
(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

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5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(p) Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

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5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Borrowing Costs

Borrowing costs, directly attributable to the acquisition and construction of a qualifying asset, are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

(r) Revenue and Other Income

(i) Sales of Goods

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

(ii) Services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(iii) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(iv) Rental Income

Rental income is recognised on an accrual basis.

6. FINANCIAL INFORMATION AND LIMITATION

The scope of work involved in the preparation of this report does not constitute an audit in accordance with approved standards on auditing in Malaysia.

All the information are extracted from a combination of the audited financial statements, management accounts, representations and/or explanations provided by the management of the Group and mathematical calculations.

7. AUDITED FINANCIAL STATEMENTS

7.1 XHH

7.1.1 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	FPE 18 January 2013 to 31 December 2013 RM'000	FYE 1 January 2014 to 31 December 2014 RM'000
Revenue		-	-
Administrative expenses		(25)	(222)
Loss before taxation ("LBT")	7.1.5	(25)	(222)
Income tax expense	7.1.6	-	-
Loss after taxation ("LAT")		(25)	(222)
Other comprehensive income		-	-
Total comprehensive expense		(25)	(222)
Loss before interest, tax, depreciation and amortisation (RM'000)		(25)	(222)
Weighted average number of ordinary shares		*	*
Gross loss per share ("LPS") (RM)		(6,250)	(37,000)
Net LPS (RM)		(6,250)	(37,000)

Note :

(*) - Number of shares less than 500

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.1 XHH (CONT'D)

7.1.2 STATEMENT OF FINANCIAL POSITION

		31 December	
		2013	2014
ASSETS	**Note**	**RM'000**	**RM'000**
CURRENT ASSETS			
Deposit and prepayments	7.1.7	683	1,392
Cash and bank balances		*	*
TOTAL ASSETS		683	1,392
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7.1.8	*	*
Accumulated losses		(25)	(247)
TOTAL EQUITY		(25)	(247)
CURRENT LIABILITIES			
Other payable and accruals	7.1.9	708	1,639
TOTAL LIABILITIES		708	1,639
TOTAL EQUITY AND LIABILITIES		683	1,392
Weighted average number of ordinary shares		^	^
Net liability ("NL") (RM'000)		(25)	(247)
NL per ordinary share (RM)		(6,250)	(41,167)

Note :

(*) - Amount is less than RM500

(^) - Number of shares less than 500

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.1 XHH (CONT'D)

7.1.3 STATEMENT OF CASH FLOWS

	FPE 18 January 2013 to 31 December 2013 RM'000	FYE 1 January 2014 to 31 December 2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation/Operating loss before working capital changes	(25)	(222)
Increase in deposit and prepayments	(683)	(709)
Increase in other payable and accruals	708	931
NET CASH FROM OPERATING ACTIVITIES	-	*
CASH FLOW FROM FINANCING ACTIVITY		
Proceeds from allotment of new ordinary shares	-	*
NET CASH FLOW FROM FINANCING ACTIVITY	-	*
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	*
CASH AND CASH EQUIVALENTS AT DATE OF INCORPORATION/ AT BEGINNING OF THE FINANCIAL YEAR	*	*
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD/YEAR	*	*

Note :

(*) - Amount is less than RM500

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.1 XHH (CONT'D)

7.1.4 STATEMENT OF CHANGES IN EQUITY

	Note	Share capital RM'000	Accumulated losses RM'000	Total RM'000
At 18 January 2013 (date of incorporation)	7.1.8	*	-	*
Total comprehensive expense for the financial period		-	(25)	(25)
Balance at 31 December 2013/1 January 2014	7.1.8	*	(25)	(25)
Allotment of new ordinary shares		*	-	*
Total comprehensive expense for the financial year		-	(222)	(222)
Balance at 31 December 2014	7.1.8	*	(247)	(247)

Note :
(*) - Amount is less than RM500

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.1 XHH (CONT'D)

7.1.5 LOSS BEFORE TAXATION

	FPE 18 January 2013 to 31 December 2013 RM'000	FYE 1 January 2014 to 31 December 2014 RM'000
Loss before taxation is arrived at after charging:-		
Audit fee:		
- current financial year	1	1
- special audit	1	-
Directors' remuneration - fees	18	72
- other emoluments	-	144

7.1.6 INCOME TAX EXPENSE

A reconciliation of income tax expense applicable to loss before taxation at the statutory tax rates to income tax expense at the effective tax rate of XHH is as follows:-

	FPE 18 January 2013 to 31 December 2013 RM'000	FYE 1 January 2014 to 31 December 2014 RM'000
Loss before taxation	(25)	(222)
Tax at the statutory tax rate of 25%	(6)	(56)
Tax effect of :-		
Non-deductible expenses	6	56
Income tax expense for the financial period/year	-	-

7.1.7 DEPOSIT AND PREPAYMENTS

	31 December 2013 RM'000	31 December 2014 RM'000
Deposit	*	*
Prepayments	683	1,392
	683	1,392

Note :
(*) - Amount is less than RM500

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.1 XHH (CONT'D)

7.1.8 SHARE CAPITAL

	31 December			
	2013 Number of shares '000	2013 RM'000	2014 Number of shares '000	2014 RM'000
Ordinary shares of RM1.00 each:-				
Authorised				
At date of incorporation/At 1 January	100	100	-	-
Subdivided into 2 ordinary shares of RM0.50 each	(100)	(100)	-	-
At 31 December	-	-	-	-
Issued and fully paid-up				
At date of incorporation/At 1 January	*	*	*	*
Subdivided into 2 ordinary shares of RM0.50 each	(*)	(*)	(*)	(*)
At 31 December	-	-	-	-
Ordinary shares of RM0.50 each:-				
Authorised				
At date of incorporation/At 1 January	-	-	200	100
Subdivided into 2 ordinary shares of RM0.50 each	200	100	-	-
At 31 December	200	100	200	100
Issued and fully paid-up				
At date of incorporation/At 1 January	-	-	*	*
Subdivided into 2 ordinary shares of RM0.50 each	*	*	-	-
Allotment of new ordinary shares	-	-	*	*
At 31 December	*	*	*	*

Note :

(*) - Amount is less than RM500

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.1 XHH (CONT'D)

7.1.9 OTHER PAYABLE AND ACCRUALS

	31 December	
	2013 RM'000	2014 RM'000
Other payable	688	1,635
Accruals	20	4
	708	1,639

Other payable represents amount owing to a company in which certain directors of XHH have substantial financial interests.

7.1.10 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identities of related parties

XHH has related party relationships with its directors, key management personnel, and other entities in which the directors have substantial financial interests.

(b) Other than those disclosed elsewhere in the financial statements, XHH carried out the following significant transactions with the related parties during the financial period:-

	FPE 18 January 2013 to 31 December 2013	FYE 1 January 2014 to 31 December 2014
Company in which certain directors have substantial financial interests	RM'000	RM'000
Settlement of liability on behalf of XHH	688	1,070

(c) Compensation of key management personnel:-

Short-term employee benefits	18	216

7.1.11 FINANCIAL INSTRUMENT

XHH's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. XHH's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on XHH's financial performance.

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.1 XHH (CONT'D)

7.1.11 FINANCIAL INSTRUMENT (CONT'D)

(a) Financial Risk Management Policies

XHH's policies in respect of the major areas of treasury activity are as follows:-

(i) Market Risk

(i) Foreign Currency Risk

XHH does not have any foreign currency transactions, assets or liabilities and hence is not exposed to foreign currency risk.

(ii) Interest Rate Risk

XHH does not have any interest-bearing borrowings and hence, it is not exposed to interest rate risk.

(iii) Equity Price Risk

XHH does not have any quoted investments and hence is not exposed to price risk.

(ii) Credit Risk

XHH does not have any credit risk related to any individual customer or counterparty.

(iii) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. XHH practises prudent risk management by maintaining sufficient cash balances.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

31 December 2013	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000
Other payable and accruals	708	708	708

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.1 XHH (CONT'D)

7.1.11 FINANCIAL INSTRUMENT (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Liquidity Risk (Cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

31 December 2014	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000
Other payable and accruals	1,639	1,639	1,639

(b) Capital Risk Management

XHH manages its capital by maintaining an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, XHH may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

XHH has no borrowings and a relatively small equity base. The debt-to-equity ratio is not applicable.

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.1 XHH (CONT'D)

7.1.11 FINANCIAL INSTRUMENT (CONT'D)

(c) Classification Of Financial Instruments

	31 December	
	2013	2014
	RM'000	RM'000
Financial Assets		
Loan and receivables financial assets		
Deposit	1	1
Cash and bank balances	*	*
	1	1
Financial Liabilities		
Other financial liabilities		
Other payable and accruals	708	1,639

Note :

(*) - Amount is less than RM500

(d) Fair Value Information

At the end of the reporting period, there were no financial instruments carried at fair values.

The fair values of the financial assets and financial liabilities approximated their carrying amount due to the relatively short-term maturity of the financial instruments (maturing within the next 12 months).

7.1.12 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 1 April 2014, XHH increased its issued and paid-up share capital from RM2 to RM 3 by the allotment of 2 new ordinary shares of RM0.50 each at par. The new shares were issued for cash consideration. The new shares issued rank pari passu in all respects with the existing shares of XHH.

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.1 XHH (CONT'D)

7.1.12 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

(b) On 30 April 2014, XHH entered into four (4) conditional Sale and Purchase Agreements to acquire the equity interest of the following entities for the purpose of listing on the Main Market of Bursa Securities:-

1) acquisition of the entire equity interest of XHTT for a purchase consideration of RM65,216,997 to be satisfied by the issuance of 130,433,994 new Shares at par value;

2) acquisition of the entire equity interest of XHAE for a purchase consideration of RM2,364,000 to be satisfied by the issuance of 4,728,000 new Shares at par value;

3) acquisition of the entire equity interest of Canggih for a purchase consideration of RM3,409,000 to be satisfied by the issuance of 6,818,000 new Shares at par value; and

4) acquisition of 30% equity interest of XHUF for a purchase consideration of RM119,000 to be satisfied by the issuance of 238,000 new Shares at par value.

The completion of the Sale and Purchase Agreements shall be conditional upon the fulfillment of the following conditions precedent:

i) the approval of the shareholders of the vendor to the disposal;
ii) the approval of the shareholders of XHH;
iii) the consent from the lenders for the change of shareholders (where applicable);
iv) the approval of the Securities Commission Malaysia for the listing on the Main Market of Bursa Securities Berhad;
v) the consent from MITI in relation to the Bumiputera requirement; and
vi) if required, any other governmental, administrative or regulatory authorities whose approvals are deemed necessary by XHH and the vendor to complete the sale and purchase exercise.

7.1.13 SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The approval from the Securities Commission Malaysia for the listing on the Main Market of Bursa Malaysia Securities Berhad was obtained on 11 February 2015.

The sale and purchase exercise as highlighted in Note 7.1.12(b) to the financial statements has been completed on 1 April 2015.

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT

7.2.1 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		FYE 31 December			
	Note	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Revenue	7.2.5	74,666	92,120	98,249	110,190
Cost of sales		(57,367)	(64,742)	(68,242)	(73,645)
Gross profit ("GP")		17,299	27,378	30,007	36,545
Other income	7.2.6	985	742	208	238
		18,284	28,120	30,215	36,783
Administrative expenses		(9,001)	(11,767)	(13,384)	(16,318)
Selling and distribution expenses		(654)	(526)	(504)	(649)
Profit from operations		8,629	15,827	16,327	19,816
Finance costs		(741)	(1,372)	(1,233)	(1,978)
Profit before taxation ("PBT")	7.2.7	7,888	14,455	15,094	17,838
Income tax expense	7.2.8	(2,100)	(2,246)	(1,629)	(2,393)
Profit after taxation ("PAT")		5,788	12,209	13,465	15,445
Other comprehensive income					
- Items that will not be reclassified subsequently to profit or loss					
- Revaluation of properties	7.2.9	-	-	18,981	-
- Deferred tax impact on revaluation	7.2.21	-	-	(842)	-
- Items that may be reclassified subsequently to profit or loss					
- Fair value changes of available-for-sale financial assets		(28)	9	12	-
- Realisation of fair value reserves to profit and loss upon disposal of available-for-sale financial assets		-	-	-	5
Total comprehensive income		5,760	12,218	31,616	15,450
GP margin (%)		23.17	29.72	30.54	33.17
PBT margin (%)		10.56	15.69	15.36	16.19
PAT margin (%)		7.75	13.25	13.70	14.02
Effective tax rate (%)		26.62	15.54	10.79	13.42
Earning before interest, tax, depreciation and amortisation ("EBITDA") (RM'000)		13,054	18,517	20,152	24,000
Weighted average number of ordinary shares ('000)		1,000	1,000	1,000	1,000
Gross earnings per share ("EPS") (RM)		7.89	14.46	15.09	17.84
Net EPS (RM)		5.79	12.21	13.47	15.45

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT (CONT'D)

7.2.2 STATEMENT OF FINANCIAL POSITION

		31 December			
	Note	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	7.2.9	42,233	54,690	82,729	112,287
Investment property	7.2.10	1,623	-	-	-
Other investment	7.2.11	474	483	495	-
		44,330	55,173	83,224	112,287
CURRENT ASSETS					
Trade receivables	7.2.12	22,532	23,375	24,180	25,548
Other receivables, deposits and prepayment:	7.2.13	1,637	1,361	1,338	2,906
Tax recoverable		144	682	1,600	1,348
Fixed deposits with licensed banks	7.2.14	19	21	22	22
Cash and bank balances		796	268	5,366	8,108
		25,128	25,707	32,506	37,932
TOTAL ASSETS		69,458	80,880	115,730	150,219
EQUITY AND LIABILITIES					
EQUITY					
Share capital	7.2.15	720	720	1,000	1,000
Reserves	7.2.16	(26)	(17)	18,134	18,139
Retained profits	7.2.17	22,983	35,192	46,083	61,528
TOTAL EQUITY		23,677	35,895	65,217	80,667
NON-CURRENT LIABILITIES					
Long-term borrowings	7.2.18	15,505	17,998	17,420	34,456
Deferred tax liabilities	7.2.21	1,588	1,897	3,519	4,455
		17,093	19,895	20,939	38,911
CURRENT LIABILITIES					
Trade payables	7.2.22	20,475	18,765	16,474	13,372
Other payables and accruals	7.2.23	2,363	3,095	5,014	6,844
Amount owing to directors	7.2.24	2,710	156	-	-
Bank overdrafts	7.2.25	975	458	-	697
Short-term borrowings	7.2.26	2,165	2,616	8,086	9,728
		28,688	25,090	29,574	30,641
TOTAL LIABILITIES		45,781	44,985	50,513	69,552
TOTAL EQUITY AND LIABILITIES		69,458	80,880	115,730	150,219
Weighted average number of ordinary shares ('000)		1,000	1,000	1,000	1,000
Net assets ("NA") (RM'000)		23,677	35,895	65,217	80,667
NA per ordinary share (RM)		23.68	35.90	65.22	80.67

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT (CONT'D)

7.2.3 STATEMENT OF CASH FLOWS

		FYE 31 December			
	Note	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		7,888	14,455	15,094	17,838
Adjustments for:-					
Allowance for impairment losses on trade receivables		355	997	339	17
Bad debts written off		259	-	-	-
Contract driver - Advances written off		-	-	45	-
Deposit forfeited		25	-	-	-
Depreciation of property, plant and equipment		4,425	2,690	3,825	4,184
Gain on disposal of investment property		-	(166)	-	-
(Gain)/Loss on disposal of property, plant and equipment		(219)	(215)	(53)	1
Gain on foreign exchange - unrealised		(2)	(19)	-	-
Property, plant and equipment written off		-	-	49	1
Interest expense		710	1,336	1,195	1,958
Interest income		(4)	(2)	(5)	(33)
Reversal of allowance for impairment losses on trade receivables		(101)	(39)	-	-
Operating profit before working capital changes		13,336	19,037	20,489	23,966
Increase in trade and other receivables		(5,055)	(1,533)	(1,166)	(2,952)
Increase/(Decrease) in trade and other payables		1,740	(950)	(796)	(1,273)
CASH FROM OPERATIONS		10,021	16,554	18,527	19,741
Income tax paid		(2,807)	(2,475)	(1,910)	(2,396)
Income tax refund		37	-	143	1,189
Interest paid		(710)	(1,336)	(1,195)	(1,958)
NET CASH FROM OPERATING ACTIVITIES		6,541	12,743	15,565	16,576
CASH FLOWS FOR INVESTING ACTIVITIES					
Interest income received		4	2	5	33
Proceeds from disposal of property, plant and equipment		537	1,108	53	*
Proceeeds from disposal of other investments		-	-	-	500
Purchase of investment property		(1,623)	-	-	-
Purchase of property, plant and equipment	7.2.27	(12,959)	(15,746)	(14,444)	(33,655)
NET CASH FOR INVESTING ACTIVITIES		(14,041)	(14,636)	(14,386)	(33,122)

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT (CONT'D)

7.2.3 STATEMENT OF CASH FLOWS (CONT'D)

		FYE 31 December			
	Note	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of term loans		7,508	4,794	3,929	22,078
Net repayment to directors		(799)	(765)	(156)	-
Net drawdown of bankers' acceptance		3	1	5,087	237
(Placement)/Withdrawal of fixed deposits pledged to bank		(*)	12	(7)	-
Net repayment of hire purchase		(149)	(269)	(393)	(401)
Repayment of term loans		(1,120)	(1,877)	(4,089)	(3,323)
NET CASH FROM FINANCING ACTIVITIES		5,443	1,896	4,371	18,591
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,057)	3	5,550	2,045
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		1,878	(179)	(176)	5,374
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	7.2.28	(179)	(176)	5,374	7,419

Note :

(*) - Amount is less than RM500

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT (CONT'D)

7.2.4 STATEMENT OF CHANGES IN EQUITY

	Note	Share capital RM'000	Revaluation reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	Total RM'000
Balance at 1 January 2011		720	-	2	17,195	17,917
Profit after taxation for the financial year		-	-	-	5,788	5,788
Other comprehensive expense for the financial year, net of tax						
- Fair value changes of available-for-sale financial assets		-	-	(28)	-	(28)
Total comprehensive income		-	-	(28)	5,788	5,760
Balance at 31 December 2011/1 January 2012		720	-	(26)	22,983	23,677
Profit after taxation for the financial year		-	-	-	12,209	12,209
Other comprehensive income for the financial year, net of tax						
- Fair value changes of available-for-sale financial assets		-	-	9	-	9
Total comprehensive income		-	-	9	12,209	12,218
Balance at 31 December 2012/1 January 2013		720	-	(17)	35,192	35,895
Profit after taxation for the financial year		-	-	-	13,465	13,465
Other comprehensive income for the financial year, net of tax						
- Revaluation of properties		-	18,139	-	-	18,139
- Fair value changes of available-for-sale financial assets		-	-	12	-	12
Total comprehensive income		-	18,139	12	13,465	31,616
Contribution by and distribution to owners of the Company						
- Bonus issue	7.2.15	280	-	-	(280)	-
- Dividends	7.2.29	-	-	-	(2,294)	(2,294)
		280	-	-	(2,574)	(2,294)
Balance at 31 December 2013/1 January 2014		1,000	18,139	(5)	46,083	65,217
Profit after taxation for the financial year		-	-	-	15,445	15,445
Other comprehensive income for the financial year, net of tax						
- Realisation of fair value reserve upon disposal of available-for-sale financial assets		-	-	5	-	5
Total comprehensive income		-	-	5	15,445	15,450
Balance at 31 December 2014		1,000	18,139	-	61,528	80,667

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT (CONT'D)

7.2.5 REVENUE

Revenue represents invoiced value of goods sold and services rendered net of returns and discounts.

7.2.6 OTHER INCOME

	FYE 31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Bad debts recovered	-	2	3	-
Claims from damages	-	-	-	186
Gain on disposal of investment property	-	166	-	-
Gain on disposal of property, plant and equipment	219	215	53	-
Gain on foreign exchange - realised	-	24	-	-
Gain on foreign exchange - unrealised	2	19	-	-
Gain on trading sale of prime movers	659	260	99	-
Interest income	4	2	5	33
Rental income	-	7	17	19
Reversal of allowance for impairment losses on trade receivables	101	39	-	-
Others	*	8	31	-
	985	742	208	238

Note :

(*) - Amount is less than RM500

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT (CONT'D)

7.2.7 PROFIT BEFORE TAXATION

	FYE 31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Profit before taxation is arrived at after charging/(crediting):-				
Allowance for impairment losses on trade receivables	355	997	339	17
Audit fee				
- current year	25	45	30	20
- overprovision in the previous financial year	-	-	(1)	-
- special audit	-	-	30	-
Bad debts written off	259	-	-	-
Contract drivers - advances written off	-	-	45	-
Deposit forfeited	25	-	-	-
Depreciation of property, plant and equipment	4,425	2,690	3,825	4,184
Directors' fees	612	612	696	920
Directors' remuneration				
- other emoluments	110	105	120	120
Hire of equipment and trucks	425	853	892	1,187
Interest expenses	710	1,336	1,195	1,958
Loss/(Gain) on foreign exchange - realised	17	(16)	23	2
Permit rental	652	9	21	20
Property, plant and equipment written off	-	-	49	1
Rental of equipment	45	87	206	189
Rental of hostel	18	34	18	131
Rental of premises	62	91	101	132
Rental of software	25	29	27	8
Staff costs	14,501	17,358	20,340	24,208
Warehouse rental	-	89	582	860
Bad debts recovered	-	(2)	(3)	-
Gain on disposal of investment property	-	(166)	-	-
(Gain)/Loss on disposal of property, plant and equipment	(219)	(215)	(53)	1
Gain on foreign exchange - unrealised	(2)	(19)	-	-
Interest income	(4)	(2)	(5)	(33)
Rental income	-	(7)	(17)	(19)
Reversal of allowance for impairment losses on trade receivables	(101)	(39)	-	-

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT (CONT'D)

7.2.8 INCOME TAX EXPENSE

	FYE 31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Current tax expense:-				
- for the financial year	2,330	1,906	1,861	1,472
- under/(over)provision in the previous financial year	(54)	31	(1,012)	(15)
	2,276	1,937	849	1,457
Deferred tax liability (Note 7.2.21)				
- relating to origination of temporary differences	(176)	309	615	1,051
- effect of proposed change in corporate income tax rate from 25% to 24%	-	-	-	(186)
- underprovision in the previous financial year	-	-	165	71
	(176)	309	780	936
Total tax expense	2,100	2,246	1,629	2,393

A reconciliation of income tax expense applicable to profit before taxation at the statutory tax rates to income tax expense at the effective tax rate of XHTT is as follows:-

	FYE 31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Profit before taxation	7,888	14,455	15,094	17,838
Tax at the statutory tax rate of 25%	1,972	3,614	3,774	4,460
Tax effects of:-				
Differential tax rate for the first RM500,000	(25)	(25)	(25)	(25)
Non-taxable income	(33)	(1)	(1)	(1)
Non-deductible expenses	244	132	249	318
Tax incentive	-	(1,505)	(1,521)	(2,229)
Effect of proposed change in corporate income tax rate from 25% to 24%	-	-	-	(186)
Under/(Over)provision of income tax in the previous financial year	(54)	31	(1,012)	(15)
Underprovision of deferred tax in the previous financial year	-	-	165	71
Others	(4)	-	-	-
Income tax expense for the financial year	2,100	2,246	1,629	2,393

XHTT has been granted investment tax allowance of 60% in respect of qualifying capital expenditure incurred for a period of 5 years from 18 March 2011 until 17 March 2016.

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT (CONT'D)

7.2.9 PROPERTY, PLANT AND EQUIPMENT

Net Book Value	Freehold land RM'000	Leasehold land RM'000	Building and warehouse RM'000	Furniture and fittings and office equipment RM'000	Trucks, low loader, prime mover, trailer and forklift RM'000	Motor vehicles RM'000	Renovation RM'000	Assets under construction RM'000	Total RM'000
At 1.1.2011	10,955	1,670	11,675	1,169	7,317	192	41	-	33,019
Additions	1,882	-	7,023	227	4,867	1,581	-	-	15,580
Additions classified as investment property due to effect of MFRS 140	(1,623)	-	-	-	-	-	-	-	(1,623)
Disposals	-	-	-	-	(277)	(41)	-	-	(318)
Depreciation charges	-	-	(385)	(260)	(3,400)	(375)	(5)	-	(4,425)
At 31.12.2011	11,214	1,670	18,313	1,136	8,507	1,357	36	-	42,233
As previously stated at 1.1.2012	12,837	1,670	18,313	1,136	8,507	1,357	36	-	43,856
Effects of MFRS 140	(1,623)	-	-	-	-	-	-	-	(1,623)
As restated at 1.1.2012	11,214	1,670	18,313	1,136	8,507	1,357	36	-	42,233
Additions	4,901	-	2,417	363	7,880	429	50	-	16,040
Disposals	-	-	-	-	(893)	-	-	-	(893)
Depreciation charges	-	(84)	(433)	(279)	(1,485)	(401)	(8)	-	(2,690)
At 31.12.2012	16,115	1,586	20,297	1,220	14,009	1,385	78	-	54,690

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT (CONT'D)

7.2.9 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land RM'000	Leasehold land RM'000	Building and warehouse RM'000	Furniture and fittings and office equipment RM'000	Trucks, low loader, prime mover, trailer and forklift RM'000	Motor vehicles RM'000	Renovation RM'000	Assets under construction RM'000	Total RM'000
Net Book Value									
At 1.1.2013	16,115	1,586	20,297	1,220	14,009	1,385	78	-	54,690
Revaluation surplus	15,610	1,561	1,810	-	-	-	-	-	18,981
Additions	345	-	46	651	7,207	624	99	5,829	14,801
Reclassification	-	291	(291)	-	-	-	-	-	-
Distributed as dividend	(1,495)	-	(374)	-	-	-	-	-	(1,869)
Disposals	-	-	-	(*)	-	-	-	-	(*)
Written off	-	-	(49)	-	-	-	-	-	(49)
Depreciation charges	-	(38)	(439)	(299)	(2,535)	(498)	(16)	-	(3,825)
At 31.12.2013/1.1.2014	30,575	3,400	21,000	1,572	18,681	1,511	161	5,829	82,729
Additions	265	10,957	4,610	1,392	4,680	429	233	11,178	33,744
Reclassification	-	-	2,689	123	1,873	-	64	(4,749)	-
Disposals	-	-	-	(1)	-	-	-	-	(1)
Written off	-	-	-	(1)	-	-	-	-	(1)
Depreciation charges	-	(78)	(466)	(339)	(2,772)	(485)	(44)	-	(4,184)
At 31.12.2014	30,840	14,279	27,833	2,746	22,462	1,455	414	12,258	112,287

Note :

(*) - Amount is less than RM500

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT (CONT'D)

7.2.9 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land RM'000	Leasehold land RM'000	Buildings and warehouse RM'000	Furniture and fittings and office equipment RM'000	Trucks, low loader, prime mover, trailer and forklift RM'000	Motor vehicles RM'000	Renovation RM'000	Assets under construction RM'000	Total RM'000
At 31.12.2011									
Cost	11,214	1,670	19,238	2,214	34,478	2,784	57	-	71,655
Accumulated depreciation	-	-	(925)	(1,078)	(25,971)	(1,427)	(21)	-	(29,422)
Net book value	11,214	1,670	18,313	1,136	8,507	1,357	36	-	42,233
At 31.12.2012									
Cost	16,115	1,670	21,655	2,578	36,798	2,863	107	-	81,786
Accumulated depreciation	-	(84)	(1,358)	(1,358)	(22,789)	(1,478)	(29)	-	(27,096)
Net book value	16,115	1,586	20,297	1,220	14,009	1,385	78	-	54,690
At 31.12.2013									
Cost	-	-	-	3,228	43,957	3,488	204	5,829	56,706
Valuation	30,575	3,400	21,000	-	-	-	-	-	54,975
Accumulated depreciation	-	-	-	(1,656)	(25,275)	(1,976)	(45)	-	(28,952)
Net book value	30,575	3,400	21,000	1,572	18,682	1,512	159	5,829	82,729
At 31.12.2014									
Cost	265	10,957	7,299	4,740	50,509	3,917	501	12,258	90,446
Valuation	30,575	3,400	21,000	-	-	-	-	-	54,975
Accumulated depreciation	-	(78)	(466)	(1,994)	(28,047)	(2,462)	(87)	-	(33,134)
Net book value	30,840	14,279	27,833	2,746	22,462	1,455	414	12,258	112,287

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT (CONT'D)

7.2.9 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) Included in property, plant and equipment of XHTT are the following assets acquired under hire purchase terms:-

	31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Motor vehicles	1,234	1,258	1,299	1,007

(b) Included in the net book value of property, plant and equipment at the reporting period are the following assets pledged to financial institutions as security for banking facilities granted to XHTT:-

	31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Freehold land				
- at cost	10,994	15,895	-	265
- at valuation	-	-	30,575	30,575
Leasehold land				
- at cost	1,670	1,586	-	10,942
- at valuation	-	-	3,400	3,337
Building and warehouse				
- at cost	17,573	19,546	-	7,287
- at valuation	-	-	21,000	20,546
Trucks, low loader, prime mover, trailer and forklift				
- at cost	-	-	2,671	4,118
	30,237	37,027	57,646	77,070

(c) The following net book value of assets was held in trust for XHTT by related parties and third parties. The ownership of the assets will be transferred to XHTT at a time directed by XHTT:-

	31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Trucks, low loader, prime mover, trailer and forklift	702	30	21	17

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT (CONT'D)

7.2.9 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(d) During the FYE 31 December 2014, XHTT capitalised borrowing cost for the construction of building and warehouse amounted to RM56,790.

(e) During the FYE 31 December 2013, XHTT's freehold land, leasehold land, building and warehouse have been revalued by an independent professional valuer. The surpluses arising from the revaluations, net of deferred taxation, have been credited to other comprehensive income and accumulated in equity under the revaluation reserve.

The fair values of the freehold land, leasehold land and building and warehouse are analysed as follows:-

31 December 2013	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Freehold land	-	30,575	-	30,575
Leasehold land	-	3,400	-	3,400
Buildings and warehouse	-	21,000	-	21,000
	-	54,975	-	54,975

The level 2 fair values of freehold land and leasehold land and building and warehouse have been determined based on the market comparison approach and depreciated replacement cost approach respectively.

The market comparison approach reflects recent transaction prices for similar properties. The most significant input into this valuation approach is price per square foot of comparable properties. The depreciated replacement cost approach reflects the current cost of replacing the building and warehouse in their existing condition, and considering the necessary allowances for physical depreciation or obsolescence, age and condition of the building and warehouse.

In estimating the fair values, the highest and best use of the freehold land, leasehold land and building and warehouse is their current use.

Comparative fair value information is not presented by virtue of the exemption given in MFRS 13.

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT (CONT'D)

7.2.9 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(f) If the freehold land, leasehold land, building and warehouse were measured using the cost model, the carrying amounts would be as follows:-

31 December 2013	Freehold land RM'000	Leasehold land RM'000	Building and warehouse RM'000	Total RM'000
Cost	14,964	2,004	20,850	37,818
Accumulated depreciation	-	(164)	(1,660)	(1,824)
	14,964	1,840	19,190	35,994
31 December 2014				
Cost	14,964	2,004	20,850	37,818
Accumulated depreciation	-	(198)	(2,077)	(2,275)
	14,964	1,806	18,773	35,543

7.2.10 INVESTMENT PROPERTY

	At 1 January 2011 RM'000	Reclassification from property, plant and equipment due to effect of MFRS 140 RM'000	At 31 December 2011 RM'000
Net Book Value			
Freehold land	-	1,623	1,623

	As previously reported at 1 January 2012 RM'000	Effects of MFRS 140 RM'000	As restated at 1 January 2012 RM'000	Disposal RM'000	At 31 December 2012 RM'000
Net Book Value					
Freehold land	-	1,623	1,623	(1,623)	-

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT (CONT'D)

7.2.10 INVESTMENT PROPERTY (CONT'D)

	At cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Freehold land			
At 31 December 2011	1,623	-	1,623

The investment property had been pledged to financial institutions as security for banking facilities granted to XHTT.

7.2.11 OTHER INVESTMENT

	31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'001
Fair Value				
Quoted in Malaysia				
- Unit trust	474	483	495	-
Market value				
Quoted in Malaysia				
- Unit trust	474	483	495	-

The unit trust was pledged to financial institutions for banking facilities granted to XHTT.

Quoted investment of XHTT were designated as available-for-sale financial assets and were measured at fair value.

7.2.12 TRADE RECEIVABLES

	31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Trade receivables	23,158	24,938	26,082	27,049
Allowance for impairment losses	(626)	(1,563)	(1,902)	(1,501)
	22,532	23,375	24,180	25,548

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT (CONT'D)

7.2.12 TRADE RECEIVABLES (CONT'D)

	31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Allowance for impairment losses:-				
At 1 January	372	626	1,563	1,902
Additions during the financial year	355	997	339	17
Reversal during the financial year	(101)	(39)	-	-
Written off during the financial year	-	(21)	-	(418)
At 31 December	626	1,563	1,902	1,501

(a) XHTT's normal trade credit term range from 30 to 120 days (2013: 30 to 120 days; 2012: 30 to 120 days; 2011: 30 to 120 days).

(b) The allowance for impairment losses is made mainly on those trade receivables in significant financial difficulties, have defaulted on payments and disputed on invoices.

(c) In 31 December 2012 and 2011, included in trade receivables of XHTT is RM43,455 and RM1,107,877 respectively which represented amount owing by companies and partnerships in which the directors of XHTT have substantial financial interests.

7.2.13 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Other receivables	770	594	1,005	2,144
Deposits	692	344	333	762
Prepayments	175	423	-	-
	1,637	1,361	1,338	2,906

Included in other receivables of XHTT is RM1,766,486 (2013: RM691,620; 2012: RM54,065; 2011: RM557,189) representing amount owing by companies in which the directors of XHTT have substantial financial interests.

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT (CONT'D)

7.2.14 FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks at the end of the reporting period bore effective interest rates as follows:-

	31 December			
	2011	2012	2013	2014
	%	%	%	%
Effective interest rate	2.90 to 4.00	2.90 to 3.15	2.90 to 3.15	2.90 to 3.35

The fixed deposits have maturity periods ranging from 31 to 365 days (2013: 31 to 365 days; 2012: 31 to 365 days; 2011: 31 to 365 days).

The following fixed deposits with licensed banks, registered in the name of directors, are pledged as securities for bank guarantee granted to XHTT:-

	31 December			
	2011	2012	2013	2014
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks	19	7	14	14

7.2.15 SHARE CAPITAL

	31 December			
	2011	2012	2013	2014
	Number of shares			
	'000	'000	'000	'000
Ordinary shares of RM1.00 each:-				
Authorised	1,000	1,000	1,000	1,000
Issued and fully paid-up :-				
At 1 January	720	720	720	1,000
Allotment during the financial year	-	-	280	-
At 31 December	720	720	1,000	1,000

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT (CONT'D)

7.2.15 SHARE CAPITAL (CONT'D)

	31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Ordinary shares of RM1.00 each:-				
Authorised	1,000	1,000	1,000	1,000
Issued and fully paid-up :-				
At 1 January	720	720	720	1,000
Allotment during the financial year	-	-	280	-
At 31 December	720	720	1,000	1,000

During the FYE 31 December 2013, XHTT increased its issued and paid-up share capital from RM720,000 to RM1,000,000 by the bonus issue of 280,000 new ordinary shares of RM1.00 each at par. The new shares issued rank pari passu in all respects with the existing shares of XHTT.

7.2.16 RESERVES

(a) Revaluation Reserve

The revaluation reserve represents the increase in the fair value of freehold land, leasehold land, building and warehouse of XHTT (net of deferred tax, where applicable).

(b) Fair Value Reserve

The fair value reserve represents the cumulative fair value changes (net of tax, where applicable) of available-for-sale financial assets until they are disposed of or impaired.

7.2.17 RETAINED PROFITS

Under the single tier tax system, tax on the XHTT's profits is the final tax, and accordingly, dividends to the shareholders are not subject to tax.

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT (CONT'D)

7.2.18 LONG-TERM BORROWINGS

	31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Hire purchase payables (Note 7.2.19)	663	615	540	222
Term loans (Note 7.2.20)	14,842	17,383	16,880	34,234
	15,505	17,998	17,420	34,456

7.2.19 HIRE PURCHASE PAYABLES

	31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Minimum hire purchase payment :-				
- not later than one year	280	367	404	394
- later than one year and not later than five years	738	675	595	252
	1,018	1,042	999	646
Less : Future finance charges	(102)	(100)	(94)	(54)
	916	942	905	592

	31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Current :				
- not later than one year (Note 7.2.26)	253	327	365	370
Non-current :				
- later than one year and not later than five years (Note 7.2.18)	663	615	540	222
	916	942	905	592

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT (CONT'D)

7.2.20 TERM LOANS

	31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Current :				
- repayable within one year (Note 7.2.26)	1,798	2,174	2,519	3,919
Non-current portion :				
- repayable between one to two years	1,944	2,265	2,481	4,138
- repayable between two to five years	6,614	6,608	7,267	11,228
- repayable after five years	6,284	8,510	7,132	18,868
Total non-current portion (Note 7.2.18)	14,842	17,383	16,880	34,234
	16,640	19,557	19,399	38,153

The repayment terms of the term loans are as follows:-

Interest rates range from Bank Lending Rate ("BLR") - 2.40% to BLR - 0.90%, Effective costs of funds ("COF") +1.75% and Bank Funding Rate ("BFR") - 1.00% to BFR + 1.00% and they are repayable in 60 to 240 months with monthly instalments of RM2,915 to RM82,527, effective from June 2008 to December 2014.

The term loans at the end of the reporting period are secured by:-

(i) legal charge over the landed properties of XHTT as disclosed in Note 7.2.9 and Note 7.2.10;

(ii) legal charge over a residential property of a director of the Company;

(iii) specific debenture over certain trailers as disclosed in Note 7.2.9;

(iv) pledge of the fixed deposits of XHTT as disclosed in Note 7.2.14;

(v) corporate guarantee by a related party; and

(vi) joint and several guarantee by all the directors of XHTT.

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT (CONT'D)

7.2.21 DEFERRED TAX LIABILITIES

	31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
At 1 January	1,764	1,588	1,897	3,519
Recognised in profit or loss (Note 7.2.8)	(176)	309	780	936
Recognised in other comprehensive income	-	-	842	-
At 31 December	1,588	1,897	3,519	4,455

Deferred tax liabilities are attributable to the following items:-

	31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Deferred tax asset :-				
- Allowance for impairment losses on trade receivables	-	(197)	(362)	(359)
Deferred tax liabilities :-				
- Accelerated capital allowance	1,588	2,090	3,039	4,011
- Revaluation surplus	-	-	842	803
- Unrealised gain on foreign exchange	-	4	-	-
	1,588	2,094	3,881	4,814
	1,588	1,897	3,519	4,455

7.2.22 TRADE PAYABLES

The normal trade credit terms granted to XHTT is 120 days (2013: 120 days; 2012: 120 days; 2011: 120 days).

Included in trade payables of XHTT is RM5,084,472 (2013: RM9,323,713; 2012: RM13,264,572; 2011: RM13,683,299) which represents amount owing to companies in which directors of XHTT have substantial financial interests.

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT (CONT'D)

7.2.23 OTHER PAYABLES AND ACCRUALS

	31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Other payables	857	1,216	2,269	4,094
Accruals	101	102	391	121
Payroll liabilities	1,405	1,777	1,929	2,629
Dividends payable	-	-	425	-
	2,363	3,095	5,014	6,844

In 31 December 2012, included in other payables of XHTT is RM120,268 which represented amount owing to a partnership in which certain directors of XHTT have substantial financial interests.

7.2.24 AMOUNT OWING TO DIRECTORS

The amount owing to directors was unsecured, interest-free and repayable on demand.

7.2.25 BANK OVERDRAFTS

The bank overdrafts are secured in the same manner as the term loans as disclosed in Note 7.2.20.

On 31 December 2014, 2012 and 2011, the bank overdrafts bore interest rates ranging from BLR + 0.50% to BLR + 1.25% and BFR + 1.25% and they are repayable on demand.

7.2.26 SHORT-TERM BORROWINGS

	31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Bankers' acceptances	114	115	5,202	5,439
Hire purchase payables (Note 7.2.19)	253	327	365	370
Term loans (Note 7.2.20)	1,798	2,174	2,519	3,919
	2,165	2,616	8,086	9,728

The bankers' acceptances are secured in the same manner as the term loans as disclosed in Note 7.2.20.

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT (CONT'D)

7.2.27 PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	FYE 31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Cost of property, plant and equipment purchased	13,957	16,040	14,801	33,744
Amount financed through hire purchase	(998)	(294)	(357)	(89)
Cash disbursed for purchase of property, plant and equipment	12,959	15,746	14,444	33,655

7.2.28 CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statements, cash and cash equivalents comprise the following:-

	FYE 31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Cash and bank balances	796	268	5,366	8,108
Fixed deposits with licensed banks (Note 7.2.14)	19	21	22	22
Bank overdrafts (Note 7.2.25)	(975)	(458)	-	(697)
	(160)	(169)	5,388	7,433
Less: Fixed deposits pledged with licensed banks (Note 7.2.14)	(19)	(7)	(14)	(14)
	(179)	(176)	5,374	7,419

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7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT (CONT'D)

7.2.29 DIVIDENDS

	FYE 31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Paid/Payable:-				
1st interim dividend of RM1.649 per ordinary share by way of distributing property	-	-	1,649	-
2nd interim dividend of RM0.220 per ordinary share by way of distributing property	-	-	220	-
3rd interim dividend of RM0.425 per ordinary share by way of cash payment	-	-	425	-
	-	-	2,294	-

7.2.30 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identities of related parties

In addition to the information detailed elsewhere in the financial statements, XHTT has related party relationships with its directors, key management personnel, and other entities in which the directors have substantial financial interests.

(b) Other than those disclosed elsewhere in the financial statements, XHTT carried out the following significant transactions with the related parties during the financial year:-

	FYE 31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Companies in which all the directors have substantial financial interests				
Sale of spare parts, tyres and tubes	718	1,634	521	92
Sale of services	250	764	244	-
Services, repair and maintenance paid/payable	1,573	1,657	-	-
Purchase of equipment	1,035	3,820	1,875	1,140
Purchase of prime movers	-	-	1,356	540
Purchase of spare parts	-	909	141	61
Purchase of services	-	518	540	540
Trading purchases	116	-	-	-
Advances for the settlement of liabilities	-	-	689	1,070
Disposal of equipment	-	433	-	-
Hire of equipment and trucks paid/payable	-	540	533	531
Hire of permit paid/payable	540	-	-	-
Rental received/receivable	-	7	-	-

7. AUDITED FINANCIAL STATEMENTS (CONT'D)

7.2 XHTT (CONT'D)

7.2.30 SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(b) Other than those disclosed elsewhere in the financial statements, XHTT carried out the following significant transactions with the related parties during the financial year (Cont'd):-

	FYE 31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Partnership in which certain directors have substantial financial interests				
Hire of equipment paid/payable	220	-	-	-
Purchase of services	1,140	997	237	-
Purchase of spare parts	64	-	-	-
Directors				
Purchase of services	85	124	55	-
Disposal of investment property	-	1,825	-	-

(c) Compensation of key management personnel

	FYE 31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Short-term employee benefits	722	717	816	1,040

7.2.31 CAPITAL COMMITMENTS

	31 December			
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Contracted but not provided for:-				
Construction of building	-	-	2,872	5,110
Purchase of property, plant and equipment	3,920	123	16,667	-
	3,920	123	19,539	5,110