

XIN HWA HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No: 1032102-P

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

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Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Period Ended 30 September 2015

(The figures have not been audited)

	Notes	Individual Quarter		Cumulative Quarter	
		Current Year Quarter 30 Sep 2015 RM'000	Preceding Year Quarter ⁽¹⁾ 30 Sep 2014 RM'000	Current Year To Date 30 Sep 2015 RM'000	Preceding Year To Date ⁽¹⁾ 30 Sep 2014 RM'000
REVENUE		24,798	N/A	82,234	N/A
COST OF SALES		(16,584)	N/A	(51,152)	N/A
GROSS PROFIT		8,214	N/A	31,082	N/A
OTHER OPERATING INCOME		166	N/A	306	N/A
		8,380	N/A	31,388	N/A
SELLING AND DISTRIBUTION EXPENSES		(430)	N/A	(900)	N/A
ADMINISTRATIVE EXPENSES		(3,646)	N/A	(14,403)	N/A
FINANCE COSTS		(475)	N/A	(1,497)	N/A
PROFIT BEFORE TAXATION	B5	3,829	N/A	14,588	N/A
TAXATION	B6	(530)	N/A	(2,399)	N/A
PROFIT AFTER TAXATION		3,299	N/A	12,189	N/A
OTHER COMPREHENSIVE INCOME, NET OF TAX		-	N/A	-	N/A
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		3,299	N/A	12,189	N/A
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
- Owners of the Company		3,273	N/A	12,109	N/A
- Non-Controlling interests		26	N/A	80	N/A
		3,299	N/A	12,189	N/A
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
- Owners of the Company		3,273	N/A	12,109	N/A
- Non-Controlling interests		26	N/A	80	N/A
		3,299	N/A	12,189	N/A
Earnings per share (sen) attributable to Owners of the Company:-					
- Basic ⁽²⁾	B13	1.82	N/A	6.73	N/A
- Diluted		N/A	N/A	N/A	N/A

Notes:

The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Pro Forma Historical Financial Information and Accountants' Report for the financial year ended 31 December 2014 as disclosed in Sections 11 and 13 of the Prospectus of the Company dated 11 June 2015 and the accompanying explanatory notes attached to these interim financial statements.

N/A - Not applicable.

(1) - No comparative figures for the preceding year are presented as this is the third interim financial report on the consolidated results for the period ended 30 September 2015 being announced by the Company in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

(2) - Based on the weighted average number of ordinary shares in issue as detailed in Note B13.

Unaudited Condensed Consolidated Statement of Financial Position as at 30 September 2015

	Notes	As At 30 Sep 2015 RM'000	As at 31 Dec 2014 ⁽¹⁾ RM'000
NON-CURRENT ASSETS			
Property, plant and equipment		124,673	N/A
CURRENT ASSETS			
Inventories		770	N/A
Trade receivables		21,527	N/A
Other receivables, deposits and prepayments		5,338	N/A
Tax recoverable		3,333	N/A
Deposit with financial institutions		22	N/A
Cash and bank balances		29,851	N/A
		<u>60,841</u>	<u>N/A</u>
TOTAL ASSETS		<u>185,514</u>	<u>N/A</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital		90,000	N/A
Share premium		6,452	N/A
Merger deficit		(68,979)	N/A
Revaluation reserve		18,139	N/A
Retained profits		78,072	N/A
ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>123,684</u>	<u>N/A</u>
NON-CONTROLLING INTERESTS		<u>457</u>	<u>N/A</u>
TOTAL EQUITY		<u>124,141</u>	<u>N/A</u>
NON-CURRENT LIABILITIES			
Long term borrowings	B9	36,881	
Deferred tax liabilities		5,173	N/A
		<u>42,054</u>	
CURRENT LIABILITITES			
Trade payables		5,266	N/A
Other payables and accruals		5,261	N/A
Provision for taxation		1,697	N/A
Short term borrowings	B9	7,095	N/A
		<u>19,319</u>	<u>N/A</u>
TOTAL LIABILITIES		<u>61,373</u>	<u>N/A</u>
TOTAL EQUITY AND LIABILITIES		<u>185,514</u>	<u>N/A</u>
Net assets per share attributable to ordinary equity holders of the parent (RM) ⁽²⁾		<u>0.69</u>	<u>N/A</u>

Notes:

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Pro Forma Historical Financial Information and Accountants' Report for the financial year ended 31 December 2014 as disclosed in Sections 11 and 13 of the Prospectus of the Company dated 11 June 2015 and the accompanying explanatory notes attached to these interim financial statements.

N/A - Not applicable.

(1) - No comparative figures for the preceding year are presented as this is the third interim financial report on the consolidated results for the period ended 30 September 2015 being announced by the Company in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

(2) - Based on the issued and paid-up share capital of 180,000,000 ordinary shares.

XIN HWA HOLDINGS BERHAD

(Incorporated in Malaysia) Company No: 1032102-P

Unaudited Condensed Consolidated Statement of Change in Equity for the Period Ended 30 September 2015

	-----Attributable to equity holders of the Company-----						Non-controlling Interests RM'000	Total Equity RM'000
	<-----Non-Distributable----->			Distributable				
	Share Capital RM'000	Share Premium RM'000	Merger Deficit RM'000	Revaluation Reserve RM'000	Retained Profits RM'000	Total RM'000		
As at 1 January 2015	#	-	-	-	(247)	(247)	-	(247)
Effect arising from merger	71,109	-	(68,979)	18,139	66,210	86,479	377	86,856
Issue of shares	18,891	7,556	-	-	-	26,447	-	26,447
Share issuance expenses ⁽¹⁾	-	(1,104)	-	-	-	(1,104)	-	(1,104)
Total comprehensive income for the period	-	-	-	-	12,109	12,109	80	12,189
As at 30 September 2015	90,000	6,452	(68,979)	18,139	78,072	123,684	457	124,141

Notes:

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Pro Forma Historical Financial Information and Accountants' Report for the financial year ended 31 December 2014 as disclosed in Sections 11 and 13 of the Prospectus of the Company dated 11 June 2015 and the accompanying explanatory notes attached to these interim financial statements.

No comparative figures for the preceding year are presented as this is the third interim financial report on the consolidated results for the period ended 30 September 2015 being announced by the Company in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

- Represents RM3.

(1) - Share issue expenses for the issue of the new XINHWA Shares of approximately RM1.10 million were written off against the share premium account under Section 60 of the Companies Act, 1965.

Unaudited Condensed Consolidated Statement of Cash Flows for the Period Ended 30 September 2015

	Current Year To Date 30 Sep 2015 RM'000	Preceding Year To Date ⁽¹⁾ 30 Sep 2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	14,588	N/A
Adjustments for:-		
Depreciation of property, plant and equipment	3,721	N/A
Gain on disposal of property, plant and equipment	(10)	N/A
Interest expense	1,418	N/A
Interest income	(213)	N/A
Operating profit before working capital changes	19,504	N/A
Decrease in inventories	5	N/A
Decrease in trade and other receivables	2,562	N/A
Decrease in trade and other payables	(5,551)	N/A
CASH FROM OPERATIONS	16,520	N/A
Tax paid	(2,110)	N/A
Tax refund	152	N/A
Interest paid	(1,418)	N/A
NET CASH FROM OPERATING ACTIVITIES	13,144	N/A
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	213	N/A
Purchase of property, plant and equipment	(16,165)	N/A
Proceeds from disposal of property, plant and equipment	16	N/A
NET CASH FOR INVESTING ACTIVITIES	(15,936)	N/A
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of bankers' acceptance	7,300	N/A
Drawdown of term loan	8,563	N/A
Gross proceeds from issuance of shares	26,447	N/A
Share issuance expenses	(1,104)	N/A
Repayment of bankers' acceptance	(12,268)	N/A
Repayment of invoices financing	(471)	N/A
Repayment of hire purchase payables	(269)	N/A
Repayment of term loans	(3,062)	N/A
NET CASH FROM FINANCING ACTIVITIES	25,136	N/A
NET INCREASE IN CASH AND CASH EQUIVALENTS	22,344	N/A
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	7,515	N/A
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	29,859	N/A
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD COMPRISE:-		
- Deposit with financial institutions	22	N/A
- Cash and bank balances	29,851	N/A
	29,873	
Less: Fixed deposits pledged with licensed banks	(14)	N/A
	29,859	N/A

Notes:

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Pro Forma Historical Financial Information and Accountants' Report for the financial year ended 31 December 2014 as disclosed in Sections 11 and 13 of the Prospectus of the Company dated 11 June 2015 and the accompanying explanatory notes attached to these interim financial statements.

N/A - Not applicable.

(1) - No comparative figures for the preceding year are presented as this is the third interim financial report on the consolidated results for the period ended 30 September 2015 being announced by the Company in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Interim Financial Report for the Period Ended 30 September 2015

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

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22, Part A of Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

This is the third interim financial report on the consolidated results for the third quarter ended 30 September 2015 announced by the Company in compliance with the Main Market Listing Requirements of Bursa Securities and as such, there are no comparative figures for the preceding year's corresponding period. The interim financial report is prepared based on the assumption that the Group has been in existence since 1 January 2015.

The interim financial report should be read in conjunction with the Pro Forma Historical Financial Information and Accountants' Report for the financial year ended 31 December 2014 as disclosed in the Prospectus of the Company dated 11 June 2015 and the accompanying explanatory notes attached to this interim financial report.

The interim financial report contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the financial year ended 31 December 2014. The interim consolidated financial report and notes thereon do not include all the information required for a full set of financial statements prepared in accordance with MFRSs.

The Group has adopted merger accounting method for the preparation of this Interim Financial Statements.

A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those adopted as disclosed in the Accountants' Report in the Prospectus of the Company dated 11 June 2015 except for the adoption of the following :-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 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 Benefit Plans – Employee Contributions	1 July 2014
Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements	1 January 2016

Interim Financial Report for the Period Ended 30 September 2015

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

A2. Changes in Accounting Policies (Cont’d)

The significant accounting policies adopted are consistent with those adopted as disclosed in the Accountants’ Report in the Prospectus of the Company dated 11 June 2015 except for the adoption of the following (Cont’d):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
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 adoption of the above revised MFRSs, Amendments to FRSs and IC Interpretation will not have any significant financial impact on the financial position and performance of the Group.

A3. Auditors' Report on Preceding Annual Financial Statements

There was no qualification to the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2014.

A4. Seasonal or Cyclical Factors

The financial performance of the Group is not significantly affected by any seasonal or cyclical factors.

A5. Item of Unusual Nature

There were no unusual items affecting the assets, liabilities, equity, net income or cash flow because of their nature, size or incidence for the financial quarter under review.

A6. Material Changes in Estimates

There were no changes in estimates of amounts reported in prior financial years that have had a material effect in the current financial quarter.

A7. Changes in Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial quarter except for those disclosed in Note B7.

A8. Dividend Paid

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

Interim Financial Report for the Period Ended 30 September 2015

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

A9. Segmental Information

The Group has three reportable segments as shown below, which are the Group's strategic business units in two principal geographical areas. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Business activities

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30 Sep 2015 RM'000	Preceding Year Quarter 30 Sep 2014 RM'000	Current Year To Date 30 Sep 2015 RM'000	Preceding Year To Date 30 Sep 2014 RM'000
<u>Revenue</u>				
Land transport operations	23,459	N/A	74,576	N/A
Warehousing and distribution operations	1,327	N/A	7,575	N/A
Other services	12	N/A	83	N/A
Total	24,798	N/A	82,234	N/A
<u>Profit before tax</u>				
Land transport operations	3,436	N/A	11,816	N/A
Warehousing and distribution operations	376	N/A	2,715	N/A
Other services	17	N/A	57	N/A
Total	3,829	N/A	14,588	N/A

Geographical area

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30 Sep 2015 RM'000	Preceding Year Quarter 30 Sep 2014 RM'000	Current Year To Date 30 Sep 2015 RM'000	Preceding Year To Date 30 Sep 2014 RM'000
<u>Revenue</u>				
Malaysia	23,087	N/A	74,678	N/A
Singapore	1,711	N/A	7,556	N/A
Total	24,798	N/A	82,234	N/A

Note:

No comparative figures for the preceding quarter and preceding year are available as these are the third interim financial report on the consolidated results for the third quarter ended 30 September 2015 being announced by the Company in compliance with the Main Market Listing Requirements of Bursa Securities.

Interim Financial Report for the Period Ended 30 September 2015

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

A10. Capital Commitments

Capital commitment for property and equipment not provided for as at 30 September 2015 are as follows:-

	RM'000
Approved and contracted for	
- property, plant and equipment	<u>740</u>

A11. Material Events Subsequent To the End of Interim Period

There were no material events that have occurred subsequent to the end of the current financial quarter from 1 October 2015 to the date of this report.

A12. Changes in Composition of the Group

In conjunction and as an integral part of the Company's listing on the Main Market of Bursa Securities, the Company completed the acquisition of the subsidiaries as disclosed in Note B7 on 1 April 2015. The completion of this acquisition results in the following companies being subsidiaries of the Company, namely:-

Wholly-owned subsidiaries

- (a) Xin Hwa Trading & Transport Sdn. Bhd. (“XHTT”);
- (b) Xin Hwa Auto Engineering Sdn. Bhd. (“XHAE”); and
- (c) Canggi Logistik Sdn. Bhd. (“Canggi”)

Partially-owned subsidiary

- (a) XH Universal Forwarding Sdn. Bhd. (“XHUF”)

The Acquisitions were accounted for using the Merger Accounting Method whereby the difference between the acquisition costs and the nominal value of the share capital of the subsidiary is taken to the merger reserve or deficit, where applicable. The Acquisitions have resulted in a merger deficit amounting to RM68.98 million.

A13. Contingent Liabilities or Contingent Assets

There were no material contingent liabilities or contingent assets as at the date of this report.

Interim Financial Report for the Period Ended 30 September 2015

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

B1. Review of Performance of the Group

For the 3-month period ended 30 September 2015, the Group recorded a revenue of RM24.80 million and profit before tax of RM3.83 million. The revenue was mainly derived from land transport operations which accounts for approximately 94.60% of the Group's revenue.

For the cumulative financial quarter under review, the Group recorded revenue of RM82.23 million and profit before tax of RM14.59 million.

The Group's revenue is derived mainly from land transport operations which comprise cargo transportation services and container haulage services. For the 3-month period ended 30 September 2015, cargo transportation services accounted for approximately 57.70% of the Group's total revenue and approximately 59.33% of the Group's total PBT whilst container haulage services accounted for approximately 36.90% of the Group's total revenue and approximately 30.39% of the Group's total PBT. In aggregate, land transport operations accounted for approximately 94.60% of the Group's total revenue and 89.74% of the Group's total PBT.

Warehousing and distribution operations accounted for approximately 5.35% of the Group's total revenue and 9.82% of the Group's total PBT for the 3-month period ended 30 September 2015.

Revenue from the warehousing and distribution operations is derived mainly from the provision of warehousing services with a capacity of 17,530 pallets and distribution operations. The period of warehousing varies between customers and the warehousing rental rate is charged based on a weekly or monthly basis. For the financial quarter under review, rental rate of the warehousing services has remained relatively constant.

Revenue derived from other services which comprise freight forwarding and customs brokerage services as well as manufacturing and fabrication of trailers accounted for approximately 0.05% of the Group's total revenue and 0.44% of the Group's total PBT for the 3-month period ended 30 September 2015.

No comparative figures are presented for the preceding year's corresponding quarter as this is the third interim financial report on the consolidated results for the period ended 30 September 2015 announced by the Group.

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

	3 Months Ended		Deviation	
	30 Jun 2015	30 Sep 2015	Amount	
	RM'000	RM'000	RM'000	%
Revenue	28,330	24,798	(3,532)	(12.47)
Profit After Tax	4,051	3,299	(752)	(18.56)

The Group's revenue decreased by 12.47% from approximately RM28.33 million recorded in the immediate preceding quarter to approximately RM24.80 million in the current financial quarter. This was due mainly to the reduction in revenue generated by land transport operations and warehousing and distribution operations of approximately RM2.08 million and RM1.45 million respectively. The drop in the revenue of land transport operations as compared to the preceding quarter was attributable to completion of the logistic infrastructure project by one of the client which no longer requires the Group's services. The drop in revenue of warehousing and distribution operations was attributable to the decrease in the warehouse space rented by one of the client.

Interim Financial Report for the Period Ended 30 September 2015

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

B3. Prospects of the Group

The Group has in place a business expansion plan moving forward, focused on the following:

- The newly completed warehouse with a capacity of approximately 220,000 sq. ft in Pasir Gudang, Johor Darul Takzim has been granted a bonded warehouse license (“License”) by the Royal Malaysian Customs. The License will enable the Group to expand its existing client base as the demand for bonded warehouse has been increasing after the implementation of Goods and Services Tax in April 2015;
- Expansion of the Group’s fleet of vehicles; and
- Setting-up a new branch office in the East Coast of Peninsular Malaysia.

Barring any unforeseen circumstances, the Board is optimistic about the Group’s performance for the current financial year.

B4. Profit Forecast and Profit Estimate

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

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

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Quarter	To Date	To Date
	30 Sep 2015	30 Sep 2014	30 Sep 2015	30 Sep 2014
	RM’000	RM’000	RM’000	RM’000
Depreciation of property, plant and equipment	1,257	N/A	3,721	N/A
Gain on foreign exchange	(12)	N/A	(42)	N/A
Interest expense	436	N/A	1,418	N/A
Interest income	(197)	N/A	(213)	N/A
Loss/(gain) on disposal of property, plant and equipment	8	N/A	(10)	N/A

Save for the above, the other items as required under Paragraph 16, Part A of Appendix 9B of the Main Market Listing Requirements of Bursa Securities are not applicable.

Note:

No comparative figures for the preceding quarter and preceding year are available as these are the third interim financial report on the consolidated results for the third quarter ended 30 September 2015 being announced by the Company in compliance with the Main Market Listing Requirements of Bursa Securities.

Interim Financial Report for the Period Ended 30 September 2015

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

B6. Income Tax Expense

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30 Sep 2015 RM'000	Preceding Year Quarter 30 Sep 2014 RM'000	Current Year To Date 30 Sep 2015 RM'000	Preceding Year To Date 30 Sep 2014 RM'000
Income Tax				
Current tax expense	296	N/A	1,697	N/A
Deferred tax	234	N/A	702	N/A
	530	N/A	2,399	N/A

Note:

No comparative figures for the preceding quarter and preceding year are available as these are the third interim financial report on the consolidated results for the third quarter ended 30 September 2015 being announced by the Company in compliance with the Main Market Listing Requirements of Bursa Securities.

The effective tax rate for the current financial quarter and financial year-to-date is lower than the statutory tax rate of 25% as the Company has been granted investment tax allowance of 60% in respect of qualifying capital expenditure incurred for the period of 5 years from 18 March 2011 until 17 March 2016.

B7. Status of Corporate Proposals

In conjunction with and as an integral part of our Company's listing on the Main Market of Bursa Securities, the following listing scheme was undertaken by the Company:

(a) Acquisitions

i Acquisition of XHTT

The Acquisition of XHTT entails the acquisition of the entire issued and paid-up share capital of XHTT comprising 1,000,000 XHTT Shares for a purchase consideration of RM65,216,997 satisfied by the issuance of 130,433,994 new Shares.

The purchase consideration of RM65,216,997 for the Acquisition of XHTT was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the audited net assets ("NA") of XHTT as at 31 December 2013 of RM65,216,435.

The Acquisition of XHTT was completed on 1 April 2015.

ii Acquisition of XHAE

The Acquisition of XHAE entails the acquisition of the entire issued and paid-up share capital of XHAE comprising 100,000 XHAE Shares for a purchase consideration of RM2,364,000 satisfied by the issuance of 4,728,000 new Shares.

The purchase consideration of RM2,364,000 for the Acquisition of XHAE was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of XHAE as at 31 December 2013 of RM2,363,246.

The Acquisition of XHAE was completed on 1 April 2015.

Interim Financial Report for the Period Ended 30 September 2015

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

B7. Status of Corporate Proposals (Cont'd)

(a) Acquisitions (*Cont'd*)

iii Acquisition of Canggih

The Acquisition of Canggih entails the acquisition of the entire issued and paid-up share capital of Canggih comprising 1,000,000 Canggih Shares for a purchase consideration of RM3,409,000 satisfied by the issuance of 6,818,000 new Shares.

The purchase consideration of RM3,409,000 for the Acquisition of Canggih was arrived at on a “willing-buyer willing-seller” basis after taking into consideration the audited NA of Canggih as at 31 December 2013 of RM3,408,443.

The Acquisition of Canggih was completed on 1 April 2015.

iv Acquisition of XHUF

The Acquisition of XHUF entails the acquisition of 30.00% of the issued and paid-up share capital of XHUF comprising 30,000 XHUF Shares for a purchase consideration of RM119,000 satisfied by the issuance of 238,000 new Shares.

The purchase consideration of RM119,000 for the Acquisition of XHUF was arrived at on a “willing-buyer willing-seller” basis after taking into consideration 30.00% of the audited NA of XHUF as at 31 December 2013, which amounted to RM118,004. The total audited NA of XHUF as at 31 December 2013 is RM393,347.

The Acquisition of XHUF was completed on 1 April 2015.

XHUF is deemed as a subsidiary of the Company pursuant to Section 5 of the Companies Act, 1965 as the Company controls the composition of the board of directors of XHUF through the XHUF Shareholders’ Agreement dated 4 June 2014.

(b) Initial Public Offering (“IPO”)

The IPO involved the Public Issue of 37,782,000 new Shares by the Company and the Offer for Sale of 16,218,000 existing Shares held by the Offerors, the details of which are set out below.

I Public Issue

37,782,000 new Shares was issued at an issue price of RM0.70 pursuant to the Public Issue, representing approximately 20.99% of the enlarged issued and paid-up share capital of the Company and was allocated in the following manner:

i Malaysian Public

9,000,000 Public Issue Shares, representing 5.00% of the enlarged issued and paid-up share capital of the Company was made available for application by the Malaysian Public.

ii Eligible Directors, Employees and Other Persons who have Contributed to the Success of Our Group

3,000,000 Public Issue Shares, representing 1.67% of the enlarged issued and paid-up share capital of the Company was made available for application by the eligible Directors, employees and other persons who have contributed to the success of our Group.

Interim Financial Report for the Period Ended 30 September 2015

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

B7. Status of Corporate Proposals (Cont'd)

(b) Initial Public Offering (“IPO”) (Cont'd)

I Public Issue (Cont'd)

iii Bumiputera Investors Approved by MITI

2,000,000 Public Issue Shares, representing 1.11% of the enlarged issued and paid-up share capital of the Company was made available for application by way of private placement to Bumiputera Investors approved by the MITI.

iv Selected Investors by way of Private Placement

23,782,000 Public Issue Shares, representing approximately 13.21% of the enlarged issued and paid-up share capital was made available for application by way of private placement to selected investors.

II Offer for Sale

The 16,218,000 Offer Shares, representing approximately 9.01% of the enlarged issued and paid-up share capital of the Company was made available by way of placement to Bumiputera Investors approved by MITI.

iii Listing

The listing of the Company's entire enlarged issued and paid-up share capital of RM90,000,000 comprising of 180,000,000 ordinary shares of RM0.50 each on the Main Market of Bursa Securities was completed on 30 June 2015.

Save as disclosed above, there are no other corporate proposals that were announced but not completed as at the date of this report.

B8. Utilisation of IPO Proceeds

The status of utilisation of the proceeds of approximately RM26.45 million from the IPO as at 30 September 2015 are as follows:

Details of the utilisation of proceeds	Proposed utilisation RM'000	Actual utilisation RM'000	Balance unutilised RM'000	Deviation %	Estimated timeframe for utilisation from the date of Listing	Balance after revision RM'000
Business expansion						
- Construction of new warehouse	4,750	4,750	-	-	Within six (6) months	-
- Expansion of fleet of vehicles	11,355	2,295	9,060	79.79	Within twenty four (24) months	9,060
Repayment of bank borrowings	3,750	-	3,750	100.00	Within six (6) months	3,750
Working capital	3,081	-	3,081	100.00	Within twenty four (24) months	5,364 ^(a)
Estimated listing expenses	3,511	1,228	2,283 ^(a)	65.02	Within three (3) months	-
Total	26,447	8,273	18,174	68.72		18,174

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

Note:

- (a) *The excess estimated listing expenses which have been re-allocated to working capital of the Group also comprise an amount of approximately RM1.98 million which will be reimbursed from the major shareholder of Xin Hwa Holdings Berhad for expenses paid on behalf.*

B9. Group Borrowings

The Group's borrowings as at 30 September 2015 are as follows:

	As At 30 Sep 2015 RM'000	As at 31 Dec 2014 RM'000
<u>Long term borrowings</u>		
<i>Secured:</i>		
Term loans	36,591	N/A
Hire purchase	290	N/A
	<u>36,881</u>	<u>N/A</u>
<u>Short term borrowings</u>		
<i>Secured:</i>		
Term loans	7,062	N/A
Hire purchase	33	N/A
Trade line facilities	-	N/A
	<u>7,095</u>	<u>N/A</u>
Total borrowings	<u>43,976</u>	<u>N/A</u>

Note:

No comparative figures for the preceding quarter and preceding year are available as these are the third interim financial report on the consolidated results for the third quarter ended 30 September 2015 being announced by the Company in compliance with the Main Market Listing Requirements of Bursa Securities.

B10. Material Litigation

The Group does not have any material litigation and the Directors are not aware of any proceedings pending or threatened against the Group as at the date of issuance of this interim financial report.

B11. Dividends

No dividend was paid since the end of the previous financial period and no dividend was proposed for the third quarter ended 30 September 2015.

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B12. Realised and Unrealised Profits

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

	As At 30 Sep 2015 RM'000	As at 30 Sep 2014 RM'000
Total retained earnings		
- realised	83,245	N/A
- unrealised	(5,173)	N/A
	<u>78,072</u>	<u>N/A</u>

Note:

No comparative figures for the preceding quarter and preceding year are available as these are the third interim financial report on the consolidated results for the third quarter ended 30 September 2015 being announced by the Company in compliance with the Main Market Listing Requirements of Bursa Securities.

B13. Earnings Per Share

(a) Basic Earnings Per Share

The basic earnings per share for the current quarter and financial year to date are computed as follows:-

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30 Sep 2015 RM'000	Preceding Year Quarter 30 Sep 2014 RM'000	Current Year To Date 30 Sep 2015 RM'000	Preceding Year To Date 30 Sep 2014 RM'000
Profit for the period attributable to owners of the Company	<u>3,273</u>	<u>N/A</u>	<u>12,109</u>	<u>N/A</u>
Number of ordinary shares of RM0.50 each in issue ('000)	<u>180,000</u>	<u>N/A</u>	<u>180,000</u>	<u>N/A</u>
Basic earnings per share (sen)	<u>1.82</u>	<u>N/A</u>	<u>6.73</u>	<u>N/A</u>

Note:

No comparative figures for the preceding quarter and preceding year are available as this is the third interim report on the consolidated results for the third quarter ended 30 September 2015 being announced by the Company in compliance with the Main Market Listing Requirements of Bursa Securities.

(b) Diluted Earnings Per Share

Diluted earnings per share were not computed as the Company does not have any dilutive potential ordinary shares in issue for the current quarter and financial year-to-date.