WORLDGATE GLOBAL LOGISTICS LTD
盛良物流有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8292

2016
Annual Report

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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Corporate Information

Board of Directors

Executive Directors

Mr. Lee Chooi Seng *(Chairman)*
Mr. Chin Seng Leong

Non-executive Director

Dato' Tan Yee Boon

Independent Non-executive Directors

Mr. Lee Kwok Tung Louis
Mr. Liew Weng Keat
Mr. Wong Siu Keung Joe

Compliance Officer

Mr. Lee Chooi Seng

Authorised Representatives

Mr. Lee Chooi Seng
Mr. Chin Seng Leong

Audit Committee

Mr. Wong Siu Keung Joe *(Chairman)*
Mr. Lee Kwok Tung Louis
Mr. Liew Weng Keat

Remuneration Committee

Mr. Lee Kwok Tung Louis *(Chairman)*
Mr. Liew Weng Keat
Mr. Wong Siu Keung Joe

Nomination Committee

Mr. Liew Weng Keat *(Chairman)*
Mr. Lee Chooi Seng
Mr. Wong Siu Keung Joe

Company Secretary

Mr. Lam Wing Tai

Registered Office

Cricket Square
Hutchins Drive
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Grand Cayman, KY1-1111
Cayman Islands

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Bandar Puteri Puchong
47100 Puchong
Selangor Darul Ehsan
Malaysia

Principal Place of Business in Hong Kong

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Principal Share Registrar and Transfer Office in the Cayman Islands:

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Grand Cayman, KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office:

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North Point
Hong Kong

Auditor

BDO Limited
Certified Public Accountants

Compliance Adviser

Ample Capital Limited

Principal Bankers

Malayan Banking BHD
Public Bank BHD
Alliance Bank Malaysia BHD

Website

www.worldgate.com.hk

Stock Code

8292

Chairman's Statement & Management Discussion and Analysis

Dear Shareholders,

On behalf of the board of Directors (the "**Board**"), I am pleased to present the first annual report of the Company for the year ended 31 December 2016 (the "**Financial Year**") after the successful listing of the Company's shares on the GEM (the "**Listing**") on 6 July 2016 by way of placing (the "**IPO Placing**"). The Listing has marked a milestone for the Company and its subsidiaries (the "**Group**").

The Group is a well-established integrated logistics solution provider in Malaysia principally engaged in providing international freight forwarding and logistics services, with a primary focus on air/sea freight forwarding and related services, transportation and warehousing to customers worldwide.

We believe that the Listing will assist the implementation of the Group's business strategies as stated in the prospectus of the Company dated 28 June 2016 (the "**Prospectus**"). The net proceeds from the IPO Placing will provide financial resources to the Group to meet and achieve such business opportunities and strategies which will further strengthen the Group's market position in Malaysia. Moreover, a public listing status will also enhance the Group's corporate profile and assist in reinforcing its brand awareness and market reputation.

Business Review

The Group is an integrated logistics solution provider in Malaysia. The Group offers a comprehensive and wide range of services to meet its customers' needs, including air/sea freight forwarding and related services, trucking and warehousing related services. In addition, the Group provides value-added services such as supply chain management services including pick & pack, distribution and stock & inventory report, security escort services and tracking services. These services are complementary to one another, and provide customers a wide range of services with cost savings. Although the freight forwarding industry in Malaysia is highly fragmented and competitive, in particular, we directly and indirectly competes with other integrated logistics service providers on a local, regional and international basis in the form of pricing, range of services provided, information technology and network of customer, the Group will implement various strategies as stated in the Prospectus with the intention to strengthen our market position. The Group will closely monitor the market situations and make necessary adjustments to its strategies and operations.

Our integrated logistics services can be broadly categorised into (1) air freight forwarding and related services; (2) sea freight forwarding and related services; and (3) transportation and warehousing related services.

1. Air Freight Forwarding and Related Services

During the Financial Year, the revenue from the air freight services was the largest source of income which accounted for approximately RM72.9 million (2015: RM47.2 million), representing an increase of about 54.2% as compared to that of last year. Revenue from air freight services mainly consists of fee of import and export air freight cargo space, customs clearance, local trucking and haulage to and from seaport and customers/warehouses, other services related to air freight. Such revenue is mainly driven by the volume of goods, type of services provided, type of cargo, among other factors.

The shipment volume of the Group's air freight forwarding and related services for the year ended 31 December 2016 and 2015 is set out in the table as below:

	For the year ended 31 December	
	2016	2015
	'000 kg	'000 kg
Air freight shipment volume		
(a) Export	**4,757**	2,300
(b) Import	**2,974**	2,700

2. Sea Freight Forwarding and Related Services

During the Financial Year, the revenue from the sea freight services accounted for approximately RM31.9 million (2015: RM32.7 million), representing a decrease of about 2.7% as compared to that of last year. Revenue from sea freight services mainly consists of fee of import and export sea freight cargo space, customs clearance, local trucking and haulage to and from seaport and customers/warehouses, other services related to sea freight. Such revenue is driven by the volume of goods, type of services provided, type of cargo, among other factors.

The shipment volume in Twenty-foot Equivalent Unit ("**TEU**") of the Group's sea freight forwarding and related services for the year ended 31 December 2016 and 2015 is set out in the table as below:

	For the year ended 31 December	
	2016	2015
	TEU	TEU
Sea freight shipment volume		
(a) Export	**5,767**	6,289
(b) Import	**7,888**	6,818

3. Trucking and Related Services

The Group's trucking and related services can be divided into two categories: (i) supporting service for its freight forwarding business; and (ii) service which does not involve sea freight or air freight.

Majority of the transportation revenue was from the supporting services for the Group's freight forwarding business including income from haulage and trucking services. Such revenue has been taken into account as part of the revenue generated from the air/sea freight forwarding services provided by the Group.

During the Financial Year, the revenue from the trucking services which does not involve air freight or sea freight accounted for approximately RM1.9 million (2015: RM2.7 million). Revenue from such services mainly consists of delivery fee for trucking services. Such revenue is mainly driven by the volume of goods delivered, and the numbers of trips and types of customers served, among other factors.

4. Warehousing and Related Services

The Group's self-owned warehouse was set up for operation in March 2016. The Group's warehousing business mainly serves a supporting role for its freight forwarding services. The Group's warehousing services provided in Port Klang mainly consisted of general warehousing services. The warehousing services provided in Kuala Lumpur and Penang airports mainly served as temporary storages of goods for the Group's international air freight business. Therefore, revenue from the Group's warehouse business only accounted for an insignificant portion of less than 1% of the Group's total revenue.

Future Prospects and Outlook

The Group aims to strengthen its position as an integrated logistics solution service provider in Malaysia. The Directors believe that there are (i) still plenty of room for growth for business in Penang given the fact that many companies continue to set up new manufacturing plants in Penang; (ii) new business opportunities in Malacca, Johor and border of Thailand upon the opening up of the borders of the ASEAN countries. To achieve this, the Group intends to further expand its business in major gateways of Malaysia and expand the scope of services to cover cross border trucking, haulage and rail freight.

Financial Review

Revenue

The Group's total revenue amounted to approximately RM107.1 million and RM83.0 million for the year ended 31 December 2016 and 2015. The increase was due to the fact that the Group reasonably lowered its the gross profit margin in an attempt to attract more customers as well as retaining existing customers and boost the revenue during the fourth quarter 2016. Majority of the Group's income was attributable to freight charges for the year ended 31 December 2016 and 2015. For the year ended 31 December 2016, approximately 68.1% and 29.8% of the Group's revenue was attributable to air freight services and sea freight services, respectively. For the year ended 31 December 2015, approximately 56.9% and 39.4% of the Group's turnover was attributable to air freight service and sea freight service, respectively.

Revenue for the Finance Year increased by approximately 28.9% or approximately RM24.0 million as compared to that of the previous year. It was mainly due to the increase in revenue generated from air freight services where the shipment volume increased about 54.6% from about 5.0 million kg to about 7.7 million kg.

Cost of Sales

Major components of the cost of sales were freight charges of cargo spaces. The Group obtains cargo space from international airlines and shipping liners, their agents/overseas freight forwarders at the rate depending on freight destination and volume/weight, among other factors. The Group charges its customers based on the cost quoted by the suppliers plus a reasonable profit margin.

In line with the increase in shipment volume and revenue, the cost of sales for the Financial Year increased by approximately 43.1% or RM26.8 million as compared to that of the previous year.

Gross Profit and Gross Profit Margin

In order to cope with the keen competition of air freight business in Malaysia, during the fourth quarter, the Company reasonably lowered its gross profit margin in an attempt to attract more customers as well as retaining existing customers and boost the revenue. As a result of it, the gross profit decreased by approximately 13.5% from RM20.8 million for the year ended 31 December 2015 to RM18.0 million for the Financial Year. Despite an increase in revenue from air freight services for the Financial Year, a lower gross profit margin was recorded as compared with the previous year. Furthermore, revenue generated from sea freight services for the Financial Year slightly decreased whereas the shipment volume in TEU maintained fairly stable, the gross profit margin for such service was less than the previous year. With the combined effects of revenue and cost of sales, the Group's gross profit margin declined to 16.8% for the Financial Year from 25.1% for the year ended 31 December 2015.

Administrative Expenses

The administrative expenses increased by approximately RM7.4 million, from RM11.8 million for the year ended 31 December 2015 to RM19.2 million for the Financial Year. The significant increase was mainly due to (i) the recognition of the one-off listing expenses of approximately RM6.6 million and (ii) additional cost for the establishment of office premises and hiring of staffs in Hong Kong upon Listing. The administrative expenses mainly consist staff cost, listing expenses and depreciation of property, plant and equipment.

An actual listing expense of approximately RM11.0 million were incurred upon Listing representing an additional amount of approximately RM1.2 million in comparison to the estimated listing expense of approximately RM9.8 million as disclosed in the Prospectus.

Finance Costs

Finance costs represent interest on bank overdrafts, bank borrowings and finance lease. During the Financial Year, the Group's financial cost amounted to approximately RM1.2 million (2015: RM1.1 million). The increase is mainly due to the increase in bank financing for the loan taken by the Group in relation to the warehouse renovation during the respective periods.

Income Tax Credit/(Expense)

During the Financial Year, the Group recorded an income tax credit of approximately RM1,317,000 and the income tax expenses of approximately RM3,122,000 for the year ended 31 December 2015.

During the Financial Year, a subsidiary of the Group applied for a pioneer certificate from the relevant government body. On 12 May 2016, the Ministry of International Trade and Industry of Malaysia ("**MITIM**") had certified the subsidiary of the Group is carrying out promoted activities in Malaysia and granted a pioneer certificate for a period of five years from 1 July 2014 to 30 June 2019. Subject to certain conditions as agreed upon by the MITIM together with the Malaysian Investment Development Authority and also the final approval by the local tax authority in Malaysia, this subsidiary is entitled to a tax exemption of 70% on its statutory income for each of the tax assessment years from 1 July 2014 to 30 June 2019. During the Financial Year, the local tax authority approved tax exemption for the year 2015. Accordingly, the Group recognized a tax exemption amount of RM1,555,000 for the financial year 2016 and an amount of RM2,003,000 as over-provision of income tax for the prior year.

Net (Loss)/Profit and (Loss)/Earnings per Shares

The Group recorded a loss of approximately RM7,000 for the Financial Year and a profit of approximately RM7.0 million for the year ended 31 December 2015. The loss was mainly due to recognition of the one-off listing expenses, and an increase in administrative expense including but not limited to the establishment of office premises and hiring additional staffs in Hong Kong. Nevertheless, in order to cope with the keen competition of air freight business in Malaysia, during the fourth quarter, the Company reasonably lowered its gross profit margin in an attempt to attract more customers as well as retaining existing customers and boost the revenue. The Group's loss per share for the Financial Year was RM0.0010 sen and the earnings per share for the year ended 31 December 2015 was RM1.1615 sen.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2016,

(a) the Group's net current assets was approximately RM46.0 million (2015: RM24.2 million) and the Group had cash and cash equivalents of approximately RM33.3 million (2015: RM15.9 million);

(b) the Group had bank borrowings and finance lease obligations of approximately RM15.7 million (2015: RM15.1 million) and RM4.3 million (2015: RM6.0 million) respectively;

(c) the Group's current ratio was approximately 3.0 times (2015: 2.3 times). The gearing ratio is calculated by dividing total debt by total equity at the end of the respective periods. The Group's gearing ratio was approximately 37.3% (31 December 2015: 69.7%); and

(d) the Group's total equity attributable to owners of the Company amounted to RM53.7 million (2015: RM30.3 million). The capital of the Company mainly comprises share capital and reserves.

Dividends

The Directors do not recommend the payment of a final dividend for the Financial Year (2015: nil).

Significant Investments Held by the Group

As at 31 December 2016, there was no significant investment held by the Group (2015: Nil).

Material Acquisitions and Disposals of Subsidiaries

The companies comprising the Group underwent the reorganisation (the "**Reorganisation**") to rationalise the Group's structure in preparation for the Listing. Details of the Reorganisation were set out in the section headed "History, Reorganisation and Corporate Structure" of the Prospectus. Save for the Reorganisation, there was no other material acquisitions and disposals of subsidiaries during the Financial Year.

Capital Commitments

As at 31 December 2016, the capital commitments of the Group are related to purchase of property, plant and equipment of approximately RM734,000 (2015: RM3,151,000).

Pledge of Assets

At the 31 December 2016, certain of the Group's land and buildings with net carrying amount of RM14,716,000 (2015: RM14,504,000) were pledged to secure the bank borrowings granted to the Group by licensed banks.

Future Plan for Material Investments and Capital Assets

Save as disclosed in section headed "Comparison of business objectives and strategies with actual business progress" of this report, the Group does not have any concrete plan for material investments or capital assets for the coming year.

Contingent Liabilities

As at 31 December 2016, bank guarantees of RM538,000 of the Group (2015: RM612,000) were issued to suppliers for operational requirements. The Directors do not consider probable that a claim will be made against the Group under these guarantees.

Principal Risks and Uncertainties

The Directors are aware that the Group is exposed to various types of risks, including operational risks, market risks, liquidity risks, credit risks and regulatory risks. The Directors have established a set of risk management policies and measures to identify, evaluate and manage risks arising from its operations.

The following are the primary risks that may materially and adversely affect the Group's business, financial condition and results of operation and its risk management measures.

Key risks related to the Group's businesses and to the industries in which the Group operates include:

1. Risk of failing to renew its licences

The logistics services in Malaysia are regulated by specific legislations regulating freight forwarding or customs clearance, warehousing, and transportation. To undertake such business, various registrations, approvals and licences are required to be obtained from regulatory authorities in Malaysia. In providing integrated logistics services in Malaysia, the Group has obtained various permissions, certificates, licences and approvals, including customs agent licence, approval to carry out commercial activity in a free commercial zone, operator's licence for group vehicles, business and advertisement licence and pioneer status certificate. The Group may face difficulty in providing its integrated logistics services if it fails to renew or obtain its licences and permissions.

The Group has subcontracted its customs clearance and part of its transportation business to subcontractors. Should the Group fail to renew relevant licences, it can subcontract relevant services to these existing subcontractors.

2. Risk of cargo hijacking, theft and damages

Risks of cargo hijacking and theft incidents are inherent to the nature of the Group's business. Future terrorist or extremist attacks, or the threat of such attacks, and cargo hijacking may increase the costs of the Group's operations and reduce demand for the Group's services.

The Group has adopted risk management measures such as Global Positioning System (a space-based global navigation satellite system that provides location and time information anywhere on earth), and paid security escort services. The Group also maintains insurance policies against loss and damage to its customers' cargo. There is a limitation of liability for loss and damage of cargo during transportation set by relevant freight associations.

3. Risk of being fined for illicit goods transported by its customers

Overseas freight forwarders may pass referral businesses or subcontract local sub-parts of their shipments to the Group whereby the Group has no control over, and no comprehension of the customers' nature or the goods they carry other than as declared in relevant declaration forms.

The Group has performed background checks on new customers and will file a police report for any unclaimed and/or suspicious cargo. In order to discharge its liability, the Group will ensure that the security seal of the cargo remained intact to maintain the integrity of the cargo during the course of transportation.

4. Risk of increase in freight and transportation cost

The Group incurs significant costs in procuring cargo space from airlines and ocean carriers, as well as providing or arranging for land transportation services overseas. Freight costs are significantly affected by a variety of factors, including fuel prices, exchange rate, the imposition of, or increases in, import or export taxes, the supply of cargo space, market conditions and other factors, many of which are beyond the Group's control.

The Group prices its services on a cost-plus basis, by reference to the types of services provided, costs of cargo spaces, fees of third party service providers etc. It is expected that this risk is mitigated by passing on the cost to the customers whenever possible.

5. Risk of over dependent on the information technology

The Group is highly dependent on information technology and currently uses three systems and one software to manage its customs declaration, operation, payroll and accounting, respectively. The Group is in the midst of changing to a new system (namely Freight Management 3000) to integrate its customer service, operations and accounting functions. The complete Freight Management 3000 system will include financial management module, customer relations management module and warehouse management module. The system will also allow customers to log in to track and trace their cargo, and monitor the level of inventory they have placed for storage at the Group's warehouses. The hardware or software failure relating to IT systems could significantly disrupt customer workflows and cause economic losses for which the Group could be held liable and which could damage its reputation.

The Group has in place a disaster recovery plan covering the critical application analysis, recovery timing and damage assessment and server for external backup.

6. Risk of handling goods contain dangerous or chemical substances

Type of substances classified as dangerous goods include explosives, flammable liquids and gases, corrosives, chemically reactive or acutely toxic substances. Products such as handphone, notebooks with batteries, ink are also considered by the industry as dangerous goods. It is required by the industry that only companies with at least 2 licences holders who have attended the dangerous goods regulation course and passed the examination can handle goods contain dangerous or chemical substances for export.

The Group has more than 2 licences holders, therefore, it is eligible to handle the dangerous goods. The Group has standard procedures for its employees to follow in handling of dangerous goods. Further, the Group will only transport dangerous goods if the Group obtained confirmation from airlines/shipping liners that such goods are acceptable to them.

Foreign Currency Risk

The Group derives a significant portion of its revenue in USD from international operations. While the Group's local customers and local suppliers settle with the Group in RM, quotes from suppliers are usually made in USD for shipping cargo space. Normally, the Group's receipt in USD is more than its payment in USD. In other words, the Group is accumulating USD. The management will monitor foreign currency exposure of the Group and will consider undertaking foreign exchange hedging activities to reduce the impact of foreign exchange rate movements on the Group's operating result.

As at 31 December 2016, the Group did not enter into any foreign currency forward contracts. However, the management will monitor the foreign currency exposure and will consider hedging significant foreign currency exposure if necessary.

Employees and Remuneration Policy

As at 31 December 2016, the Group has a total of 185 (2015: 157) full-time employees. The total employees remuneration including remuneration of the Directors for the Financial Year amounted to RM11.0 million (2015: RM7.6 million).

The Group recognises that its success in the freight forwarding and logistics industry is dependent on its employees. The Group recruits its employees based on their industry experience and interpersonal skills. The Company regularly reviews and determines the remuneration and compensation packages of the Directors and senior management. The Company regularly provides discretionary bonuses to its senior management and key employees as incentive.

Comparison of business objectives and strategies with actual business progress

An analysis comparing the future plans and use of proceeds contained in the Prospectus with the Group's actual business progress for the period from the date of Listing to 31 December 2016 (the "**Relevant Period**") is set out below:

Business strategies as stated in the Prospectus	Implementation activities during the Relevant Period as stated in Prospectus	Actual business progress during the Relevant Period
1. Further expand its representative/branch office in major gateways of Malaysia	Further expansion of Malacca & Johor branches	The Group is in progress of hiring more new sales staff to promote and further expand Melaka & Southern region markets
2. Expand the scope of services	Engagement of market research team to conduct research in rail freight services	The Group has conducted market research ourselves on rail freight, warehousing & distribution in line with the "Belt & Road" initiative. New staffs will be hired & to be stationed at Padang Besar, Perlis to expand the scope of services
3. Further strengthen the information technology systems	Software development (Freight Management 3000)	FM3000 air & sea module have been implemented. Other modules are still in progress of implementation
4. Attract and retain talented and experienced employees	Recruitment costs for new talents	The Group has hired new talent to further growth of our business

Use of Proceeds

The net proceeds from the IPO Placing, after deducting underwriting fees and estimated expenses payable by the Group in connection thereto, were approximately HK$51.6 million (or RM27.2 million at the exchange rate of approximately RM1=HK$1.90) as disclosed in the Prospectus. During the Relevant Period, the net proceeds from the IPO Placing had been applied as follows:

	Planned use of net proceeds as stated in the Prospectus during the Relevant Period HK$' million	**Actual use of proceeds during the Relevant Period** HK$' million
Further expand its representative/branch office in major gateways of Malaysia	1.3	—
Expand the scope of services	0.1	—
Further strengthen the information technology systems	1.4	0.4
Attract and retain talented and experienced employees	0.1	0.1
Repay loans	1.9	1.4
Total	4.8	1.9

Appreciation

I would like to express my greatest gratitude to the Board, management and staffs for their strenuous contribution towards the Group. Furthermore, I would also like to take this opportunity to sincerely thank our business partners and Shareholders for their continuous support and trust. I believe all members of the Group will dedicate their best efforts to drive business growth and to deliver enhanced returns to Shareholders.

Lee Chooi Seng
Chairman

Hong Kong, 23 March 2017

Directors and Senior Management

Executive Directors

Mr. Lee Chooi Seng ("**Mr. Lee**"), aged 52, was appointed as a Director on 18 February 2016 and re-designated as an executive Director and Chairman on 7 March 2016. He is primarily responsible for overall strategic planning and management of the Group. Mr. Lee is also the Compliance Officer and Authorised Representative of the Company under the GEM Listing Rules. He is also a member of the Nomination Committee.

Mr. Lee has over 25 years of experience in the logistics service industry. From December 1991 to 2000, Mr. Lee was the branch manager of Malat-Transocean Airfreight Sdn Bhd. Since 2000, Mr. Lee has been working at Worldgate Express Services Sdn. Bhd. ("**Worldgate Express**") as the managing director and is a director of certain subsidiaries of the Group.

Mr. Lee successfully completed the Malaysia Airlines dangerous goods regulations course and the dangerous goods refresher course in January 1996 and June 1998, respectively; the budgeting and forecasting course organised by RCJ Consulting Sdn Bhd in May 1999; and the corporate director's training program organised by the Companies Commission of Malaysia in August 2002. Mr. Lee completed his secondary education at Saint Xavier's Institution Penang in 1981.

Mr. Lee was awarded CEO of the Year in 2009 and 2011 by Global Forwarding Partners Inc., logistic man of the year by BrandLaureate SMEs BrandLeadership Award in 2014 and GFP vice-chairman's award from Global Forwarding Partners Inc. in October 2015. On 9 March 2012, Mr. Lee completed the "Air Freight Skills Training in TACT MANUAL & CARGO RATING PRINCIPLES" conducted by ANA CARGO ALL NIPPON AIRWAYS.

Mr. Chin Seng Leong ("**Mr. Chin**"), aged 44, was appointed as a Director on 18 February 2016 and re-designated as an executive Director and chief executive officer (the "**CEO**") on 7 March 2016. He is primarily responsible for overall execution and operation of the Group. Mr. Chin is also the Authorised Representative of the Company under the GEM Listing Rules.

Mr. Chin has over 17 years of experience in the logistics service industry. Prior to joining the Group, he worked as a sales coordinator at Transocean (KL) Sdn Bhd in 1992. He joined Worldgate Express in 2000 as the marketing development manager. He became the executive director of Worldgate Express on 1 October 2012 and is also a director of certain subsidiaries of the Group.

Mr. Chin has successfully completed the corporate director's training program conducted by Companies Commission of Malaysia (SSM) in August 2002. In August 2005, he completed the budgeting and forecasting course, understanding ISO9001:2008 quality management system in January 2011 and the tech & management training "warehouse safety and transportation safety" course in January 2015. He also completed a customs agent course organised by Royal Malaysian Customs Academy in 2015. Mr. Chin received a certificate in Marketing from Stamford Group of College of Further Education in Singapore and Malaysia in May 1992.

Non-Executive Director

Dato' Tan Yee Boon ("**Dato' Tan**"), aged 41, was appointed as a non-executive Director on 7 March 2016. He is primarily responsible for providing legal and general advice to the Group.

Dato' Tan has not less than 18 years of experience as an advocate and solicitor in Malaysia. He is currently practicing as an advocate and solicitor in Malaysia and is also a member of the Bar Council of Malaysia. He was previously a partner at a law firm in Malaysia since 1 January 2011. Dato' Tan was the founder and now a partner of Messrs. David Lai & Tan, a firm of advocates and solicitors in Kuala Lumpar in 1 May 2013.

Dato' Tan has been acting as an independent non-executive director of Earnest Investments Holdings Limited, listed on the Main Board of the Stock Exchange (stock code: 339) since 1 June 2009. Dato' Tan has been acting as an independent non-executive director of Protasco Berhad, listed on the Main Market of Bursa Malaysia (stock code: 5070) since 18 January 2013. He has also been acting as an independent non-executive director of Central Industrial Corporation Berhad., listed on the Main Market of Bursa Malaysia (stock code: 8052) since 16 June 2015. Dato' Tan has been acting as an independent non-executive director of China Dynamics (Holdings) Ltd., listed on the Main Board of the Stock Exchange (stock code: 476) since 17 June 2016.

He obtained a Bachelor of Law degree from the University of South Wales (formerly the University of Glamorgan) in South Wales in June 1997 and Certificate of Legal Practice from the Legal Qualifying Board of Malaysia in November 1998. He was admitted as an advocate and solicitor of the High Court of Malaysia in September 1999.

Dato' Tan was a director of the following company incorporated in Malaysia, which was deregistered with details as follows:

Name of company	Nature of business	Date of dissolution	Means of dissolution	Reasons for dissolution
Aswath Corporate Advisory Sdn. Bhd.	N/A	31 January 2013	Striking off	Intended use no longer exits

Dato' Tan confirmed that there is no wrongful act on his part leading to the above dissolution of the company and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the company.

Independent Non-Executive Directors

Mr. Lee Kwok Tung Louis, aged 49, was appointed as an independent non-executive director of the Company on 17 June 2016. He is the chairperson of the Remuneration Committee and a member of the Audit Committee.

He has been a Certified Practising Accountant of the CPA Australia since 1996 and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since 1999. He has possessed over 24 years of experience with unlisted groups, listed groups and professional firms in finance, accounting and auditing.

He is currently an independent non-executive director of CGN Mining Company Limited (listed on the main board of the Stock Exchange, stock code: 1164) and Zhong Ao Home Group Limited (listed on the main board of the Stock Exchange, stock code: 1538). He was an independent non-executive director of Winto Group (Holdings) Limited (Stock Code: 8238) which listed on the growth enterprise market of the Stock Exchange) from 23 January 2015 to 9 May 2016.

He graduated with a Bachelor of Economics degree from Macquarie University in Australia in 1992.

Mr. Liew Weng Keat ("**Mr. Liew**"), aged 41, was appointed as an independent non-executive Director of the Company on 17 June 2016. He is the chairperson of the Nomination Committee as well as a member of each of the Audit Committee and Remuneration Committee.

Mr. Liew joined ITRS Group Limited in London in May 1999 before being transferred to ITRS US from February 2001 to February 2006, with the last position being the vice president. Having spent five years in New York, Mr. Liew then relocated to Hong Kong to start-up ITRS Asia's business for Asia Pacific from February 2006 to August 2008. From August 2008 to May 2009, Mr. Liew was the head of North East Asia at Financial Innovative Technology International Pte. Ltd. From June 2009 to March 2010, he was a technology director at ITRS Asia Limited. Since November 2009, Mr. Liew has been the global account director at ITRS Asia Limited, responsible for business development for the Asia Pacific region.

Mr. Liew received a Bachelor of Engineering and a Bachelor of Science in Mechanical Engineering from the Manchester University in the United Kingdom in July 1997 and received a Master of Business Administration from Richmond, The American International University in London in the United Kingdom in December 1999.

Mr. Wong Siu Keung, Joe ("**Mr. Wong**"), aged 52, was appointed as an independent non-executive Director of the Company on 17 June 2016. He is the chairperson of the Audit Committee as well as a member of each of the Remuneration Committee, the Nomination Committee.

Mr. Wong holds a Degree of Master of Arts in International Accounting from City University of Hong Kong in November 1998 and a Master of Corporate Governance from The Hong Kong Polytechnic University in October 2012.

He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants since 1994. Mr. Wong has over 28 years of experience in accounting, financing, audit field and public listed companies.

Mr. Wong is currently an independent non-executive director of Interactive Entertainment China Cultural Technology Investments Limited whose shares are listed on GEM (stock code: 8081). Mr. Wong is also as an independent non-executive director of China Water Industry Group Limited (stock code: 1129), a company whose shares are listed on the Main Board of the Stock Exchange.

Mr. Wong was a director of the following company incorporated in Hong Kong, which was deregistered with details as follows:

Name of company	Nature of business	Date of dissolution	Means of dissolution	Reasons for dissolution
Nixus Products Limited	Production of plastics	23 May 2008	Deregistration	Ceased to conduct business

Mr. Wong confirmed that there is no wrongful act on his part leading to the above dissolution of the company and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the company.

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Senior Management

Ms. Lee Li Ngut ("**Ms. Lee**"), aged 42, was re-designated as the senior vice president of finance for the Group on 1 March 2016. She is responsible for managing the Group's finance and accounts.

Ms. Lee has over 15 years of experience in accounting. From 1999 to 2000, Ms. Lee worked at Damai Laut Golf Resort as an accounts and administration officer. She joined the Group on 19 September 2000 as an account executive and became a group finance manager on 1 October 2013.

Ms. Lee received a Bachelor of Science in Accounting and Finance from the University of London as an external student in August 1999. She has also completed the bills of lading — liability & claim course organised by Maritime Disputes & Training Consultancy Services in July 2004, budgeting & forecasting course organised by RCJ Consulting Sdn. Bhd. in August 2005, customer service skills for logistics professionals organised by Ldeapro Logix Sdn. Bhd. in October 2009, understanding ISO 9001:2000 quality management system organised by Cambridge Management Sdn. Bhd. in August 2008, and warehousing safety and transport safety organised by I-World Technology Sdn. Bhd. in January 2015.

Mr. Chan Kah Chong ("**Mr. Chan**"), aged 48, was re-designated as the vice president of operations of the Group and director of FTN on 1 March 2016. He is responsible for the Group's operations management.

Mr. Chan has over 13 years of experience in banking. He worked at Maybank Berhad (formerly known as Malayan Banking Berhad) from 1988 to 1991. From 1991 to 1994, he was a current account officer at Affin Bank Berhad (formerly known as Perwira Habib Bank Malaysia Berhad). From 2003 to 2009, he was a general manager/director at Transprompt Cargo (M) Sdn Bhd. He joined the Group as a general manager on 2 January 2010.

Mr. Chan completed the developing a professional outlook through positive attitude seminar jointly organised by FTN and PEOPLElogy Group in May 2013, the introduction to air cargo course organised by Learning Evolution Organisation in July 2011, air freight skills training in TACT Manual & Cargo Rating Principles in March 2012, cargo/warehouse security and loss prevention in May 2009, logistics and Supply Chain Management seminar in April 2009 and the understanding ISO 9001:2008 quality management system training course in January 2011.

Mr. Chan is the vice president of Selangor Freight Forwarders Association and a council member of the Federation of the Malaysian Freight Forwarders since February 2016, assisting the Ministry of Transport, Malaysia for warehousing and cross border trade activities.

Mr. Lee Kim Seong, aged 33, was re-designated as the vice president of sales for the Group and branch manager for the Penang branch on 1 March 2016. He is responsible for overseeing the Penang office & the Group's sales force.

Mr. Lee Kim Seong has over eight years of experience in freight forwarding. He started his career in 2006 at Kuehne & Nagel Sendirian Berhad as an airfreight export account coordinator. On 22 February 2010, he joined the Group as an assistant manager.

Mr. Lee Kim Seong received a Bachelor of Science in Business Administration from the University of Utara Malaysia in Malaysia in September 2006. He completed the dangerous goods regulations refresher course organised by Malaysia Airlines in March 2009, introduction to air cargo course organised by the Learning Evolution Organisation in July 2011, warehouse safety and transportation safety organised by I-World Technology Sdn. Bhd. in January 2015.

Ms. Yeong Jiun Ruo ("**Ms. Yeong**"), aged 33, was re-designated as the vice president of human resource for the Group on 1 March 2016. She is responsible for human resource management.

She has over 10 years of experience in administration. From June 2006 to May 2007, she was a senior R&QA supervisor for Unisem (m) Berhad. From August 2007 to April 2008, she worked for Carrier International Sdn Bhd as an office administrator. From May 2008 to March 2014, she worked as a senior officer for research and development for Sony EMCS (Malaysia) Sendirian Berhad. She joined the Group on 2 May 2014 as an assistant human resource manager and was promoted to human resource manager in September 2015.

Ms. Yeong received a Bachelor of Arts in Foreign Language in June 2006 and a Master of Business Administration from the University of Putra Malaysia in Malaysia in July 2010. She completed sony six sigma green belt training by Sony Six Sigma Office in March 2010, developing an effective employee policy and handbook course organised by Leadership Venture in May 2014, internal quality audit course organised by Insol Consultancy (M) Sdn Bhd in November 2014, and warehousing safety and transportation safety course organised by I-World Technology Sdn. Bhd. In January 2015.

Corporate Governance Report

Corporate Governance Practices

The Company is committed to fulfilling its responsibilities to the Shareholders and protecting and enhancing Shareholders' value through good corporate governance.

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company's corporate governance practices are based on the principles of good corporate governance as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the "**CG Code**").

As the shares of Company were successfully listed on GEM on 6 July 2016 (the "**Listing Date**"), the CG Code was not applicable to the Company for the period from 1 January 2016 to 5 July 2016, being the date immediately before the Listing Date. The Company has complied with all applicable code provisions as set out in the CG Code during the Relevant Period.

Securities Transactions by Directors

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the Relevant Period.

Board of Directors

Responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's mission and standards and ensures that the requisite financial and human resources support are in place for the Group to achieve its objectives.

The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the respective websites of the GEM and the Company. The Board may from time to time delegate certain functions to senior management of the Group if and when considered appropriate. The management of day-to-day operation of the Group's businesses and implementation of the business plans, strategies and policies adopted by the Board has been delegated to the senior management of the Group.

The functions performed by the Board include but are not limited to the following matters:

- formulating the Group's strategy and direction and monitoring the implementation thereof;
- deciding all material contracts, acquisitions, investments, divestments, disposals of assets or any significant capital expenditure;
- approving of the Group's financial statements, published reports, price sensitive announcement and other disclosure required under the GEM Listing Rules;
- developing, monitoring and reviewing the Group's corporate governance practices and the effectiveness of the Group's financial controls, internal control and risk management systems;
- Board appointment and other major appointments or removal; and
- monitoring the performance of the management.

The Directors have full and timely access to information and accounts of the Group and are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

Composition

The Company is committed to the view that the Board should include a balanced composition of executive and non-executive Directors (the "**NED**") (including independent non-executive Directors (the "**INED**")) so that there is an independent element on the Board, which can effectively exercise independent judgment, and that NED should be of sufficient caliber and number for their views to carry weight.

As at the date of this report, the Board comprises the following six Directors:

Executive Directors
Mr. Lee Chooi Seng, *Chairman*
Mr. Chin Seng Leong, *CEO*

Non-executive Director
Dato' Tan Yee Boon

Independent Non-executive Directors
Mr. Lee Kwok Tung Louis
Mr. Liew Weng Keat
Mr. Wong Siu Keung Joe

The biographical details of each of the Directors are set out in the section headed "Directors and Senior Management" of this report.

There was no financial, business, family or other material/relevant relationship among the Directors.

In compliance with Rule 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules, the Company has appointed three INEDs representing more than one-third of the board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise.

The INEDs have brought in a wide range of business and financial expertise, experiences and independent judgment to the Board. Through active participation in the Board meetings and serving on various Board committees, all INEDs will make various contributions to the Company.

The Company has received from each INED an annual confirmation of his independence, and the Company considers such directors to be independent in accordance with each and the various guidelines set out in Rule 5.09 of the GEM Listing Rules.

Proper insurance coverage in respect of legal actions against the Directors' liability has been arranged by the Company.

Continuing Professional Development

Each newly appointed Director receives a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under the statues and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities.

All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, all Directors, namely Mr. Lee Chooi Seng, Mr. Chin Seng Leong, Dato' Tan Yee Boon, Mr. Lee Kwok Tung Louis, Mr. Liew Weng Keat and Mr. Wong Siu Keung Joe had attended training sessions on obligations, duties and responsibilities of directors conducted by the Company's Hong Kong legal advisers during the Financial Year.

Meetings of Board and Directors' Attendance Records

During the Relevant Period, 3 Board meetings were held and one set of the resolution in writing was circulated, at which the Directors discussed and approved, amongst other matters, (i) the Group's consolidated results for the six months ended 30 June 2016 and the nine months ended 30 September 2016; (ii) change of address of principal place of business in Hong Kong and process agent and (iii) the overall strategic direction and plan of business. The Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice is given in a reasonable time in advance. The Directors are allowed to include any other matters in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at the Board meetings and to make informed decisions, an agenda and the accompanying Board papers together with all appropriate and relevant information in relation to the matters of the meetings are sent to all Directors at least three days before the intended date of each regular Board Meeting and three days or such other period as agreed before each other Board meeting. All Directors should have access to the advice and services of the company secretary of the Company (the "**Company Secretary**") with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Company Secretary is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record within a reasonable time after each meeting and the final version is open for the Directors' inspection. According to the GEM Listing Rules, any Directors and their associates (as defined in the GEM Listing Rules) with a material interest in the transactions to be discussed at the Board meetings will abstain from voting on resolutions approving such transactions and are not counted in the quorum of the meetings.

During the Relevant Period, the Company has not held any general meeting.

The attendance of each Director at the Board Meeting during the Relevant Period is as follows:

Name of Directors	Number of attendance/ Number of Board meetings
Executive Directors	
Mr. Lee Chooi Seng *(Chairman)*	3/3
Mr. Chin Seng Leong	3/3
Non-executive Director	
Dato' Tan Yee Boon	3/3
Independent Non-executive Directors	
Mr. Lee Kwok Tung Louis	3/3
Mr. Liew Weng Keat	3/3
Mr. Wong Siu Keung Joe	3/3

Apart from the above Board meeting, the Chairman held a meeting with all the NEDs (including INEDs) without the presence of the Executive Directors during the Relevant Period.

Non-Competition Undertaking

The deed of non-competition dated 17 June 2016 entered into by Mr. Lee Chooi Seng, Mr. Chin Seng Leong and RLDC Investment Holdings Limited, the controlling shareholders of the Company within the meaning of the GEM Listing Rules (collectively the "**Controlling Shareholders**") (each a "**Covenantor**" and collectively, the "**Covenantors**") in favour of the Company (the "**Non-competition Undertaking**"), under which each of the Covenantors has irrevocably and unconditionally, jointly and severally, warranted and undertaken to the Company (for itself and as trustee for members of the Group) that,

(a) he/she/it will not, and will procure any Covenantor and his/her/its close associates (each a "**Controlled Person**" and collectively, the "**Controlled Persons**") and any company directly or indirectly controlled by the Covenantor (which for the purpose of the Deed of Non-competition, shall not include any member of the Group) (the "**Controlled Company**") not to, except through any member of the Group, directly or indirectly (whether as principal or agent, through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise), carry on, engage in, invest or be interested or otherwise involved in any business that is similar to or in competition with or is likely to be in competition with any business carried on by any member of the Group from time to time or in which any member of the Group is engaged or has invested or is otherwise involved in any territory that the Group carries on its business from time to time ("**Restricted Business**");

(b) if any Covenantors, Controlled Person and/or Controlled Company is offered or becomes aware of any new project or business opportunity ("**New Business Opportunity**") directly or indirectly to engage or become interested in a Restricted Business, he/she/it (i) shall promptly notify the Company of such New Business Opportunity in writing, refer the same to the Company for consideration first and provide such information as may be reasonably required by the Company to make an informed assessment of such New Business Opportunity; and (ii) shall not, and shall procure that the Controlled Persons or Controlled Company shall not, invest or participate in any such New Business Opportunity unless such New Business Opportunity shall have been declined by the Company and the principal terms of which he/she/it and/or his/her/its close associates invest or participate in are no more favourable than those made available to the Company.

The Company has received a written confirmation from the Controlling Shareholders in respect of the compliance and enforcement of the terms of the Non-competition Undertaking by the Controlling Shareholders during the Relevant Period.

The INEDs have reviewed the Non-competition Undertaking entered into by the Controlling Shareholders as to whether the Controlling Shareholders had abided by the Non-competition Undertaking. The INEDs confirmed that the Controlling Shareholders had not been in breach of the Non-competition Undertaking during the Relevant Period.

Board Diversity Policy

During the Financial Year, the Board has adopted a policy of the Board diversity (the "**Board Diversity Policy**") and discussed all measurable objectives set for implementing the Board Diversity Policy.

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge.

Chairman and Chief Executive

According to the Code Provision A.2.1 of the CG Code, the roles of the Chairman and the CEO should be separate and performed by different individuals to ensure a balance of power and authority so that power is not concentrated in any one individual. Mr. Lee Chooi Seng, the executive Director, is the Chairman and is responsible for the leadership of the Board while Mr. Chin Seng Leong, the executive Director, is the CEO and is responsible for managing the Group's business and overall operations.

Non-Executive Directors

The non-executive Director has entered into a service agreement with the Company for an initial fixed term of three years commencing from 6 July 2016 and shall continue thereafter until terminated by either party by giving not less than three months' prior notice in writing at any time after such initial fixed term to the other.

Each of the INEDs has entered into a letter of appointment with the Company for an initial term of one year commencing from 17 June 2016 and shall continue thereafter until terminated by either party by giving not less than three months' prior notice in writing at any time after such initial fixed term to the other.

Board Committees

The Board has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

The written terms of reference for Board Committees are posted on the respective websites of the GEM and the Company.

Audit Committee

The Company established the Audit Committee on 17 June 2016 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code. The Audit Committee comprises all INED, namely Mr. Lee Kwok Tung Louis, Mr. Liew Weng Keat and Mr. Wong Siu Keung Joe. Mr. Wong Siu Keung Joe is the chairman of the Audit Committee.

The principal functions of the Audit Committee include, but not limited to:

Relationship with the Company's auditor

- making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, discussing with the auditor the nature and scope of the audit and reporting obligations before the audit commences; and

- developing and implementing policy on engaging an external auditor to supply non-audit services (For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally) and reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed.

Review of the Company's financial information

- reviewing and monitoring the integrity of the Company's financial statements and annual reports and accounts, half-year reports and quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:

  (i) any changes in accounting policies and practices;

  (ii) major judgmental areas;

  (iii) significant adjustments resulting from audit;

  (iv) the going concern assumptions and any qualifications;

  (v) compliance with accounting standards; and

  (vi) compliance with the GEM Listing Rules and legal requirements in relation to financial reporting.

- regarding the above paragraph:

  (i) liaising with the Board and senior management and meeting, at least twice a year, with the Company's auditor; and

  (ii) considering any significant or unusual items that are, or may need to be, reflected in the report and accounts, giving due consideration to any matters that have been raised by the Company's staffs responsible for the accounting and financial reporting function, compliance officer or auditor.

Oversight of the Company's financial reporting system and internal control procedures

- reviewing the Company's financial controls, internal control and risk management systems;

- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have an effective systems including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

- considering major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

- where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;

- reviewing the group's financial and accounting policies and practices;

- reviewing the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

- ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;

- reporting to the Board on the matters in the terms of reference of Audit Committee;

- reviewing arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

- acting as the key representative body for overseeing the Company's relations with the external auditor; and

- considering other topics, as defined by the Board.

During the Relevant Period, the Audit Committee held 3 meetings, at which the Audit Committee reviewed and discussed (i) the Group's consolidated results for the six months ended 30 June 2016 and the nine months ended 30 September 2016; and (ii) the audit planning for the year ended 31 December 2016 respectively.

The attendance of each member at the Audit Committee Meeting during the Relevant Period is as follows:

Name of Directors	Number of attendance/ number of meetings
Mr. Lee Kwok Tung Louis	3/3
Mr. Liew Weng Keat	3/3
Mr. Wong Siu Keung Joe	3/3

The Audit Committee has reviewed the Company's audited consolidated financial results for the Financial Year, including the accounting principles and practice adopted by the Group, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, the effectiveness of the Group's internal control and risk management systems and the Group's internal audit function performed by an external professional consultant and recommended to the Board for consideration the same and the re-appointment of BDO Ltd as the Company's external independent auditors at the forthcoming AGM.

Remuneration Committee

The Company established the Remuneration Committee on 17 June 2016 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the CG Code. The Remuneration Committee comprises all INED, namely Mr. Lee Kwok Tung Louis, Mr. Liew Weng Keat and Mr. Wong Siu Keung Joe. Mr. Lee Kwok Tung Louis is the chairman of the Remuneration Committee.

The principal functions of the Remuneration Committee include, but not limited to:

- making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

- reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;

- making recommendations to the Board on the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment);

- making recommendations to the Board on the remuneration of NED;

- considering salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the group;

- reviewing and approving compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

- reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

- ensuring that no Director or any of his associates is involved in deciding his own remuneration; and

- consulting the Chairman and/or Chief Executive (where applicable) about their remuneration proposals for other Executive Directors.

The members of the Remuneration Committee should meet at least once a year. Due to the fact that the Company was listed on 6 July 2016, no Remuneration Committee meeting has been held during the Relevant Period.

Subsequent to the end of the Financial Year and up to the date of this report, the Remuneration Committee held a meeting on 23 March 2017 and reviewed the remuneration packages for individual executive Directors and senior management and making recommendations to the Board.

Nomination Committee

The Company established the Nomination Committee on 17 June 2016. The Nomination Committee comprises one executive Director and two INED, namely Mr. Lee Chooi Seng, Mr. Liew Weng Keat and Mr. Wong Siu Keung Joe. Mr. Liew Weng Keat is the chairman of the Nomination Committee.

The principal functions of the Nomination Committee include, but not limited to:

- reviewing the structure, size and composition (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;

- assessing the independence of INED;

- making recommendations to the Board on the appointment or re-appointment of Directors;

- reviewing the Board Diversity Policy as appropriate; monitoring the implementation of the Board Diversity Policy and reviewing the measurable objectives set by the Board for implementing the Board Diversity Policy, and the progress of achieving the objectives; and making disclosure of its review results and reporting on the Board's composition under diversified perspectives in the Corporate Governance Report annually; and

- reviewing succession planning for Directors, in particular, the chairman of the Board and the chief executive of the Company as well as for the senior management of the Company, after taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, together with the Board, as appropriate.

The members of the Nomination Committee should meet at least once a year. Due to the fact that the Company was listed on 6 July 2016, no Nomination Committee meeting was held during the Relevant Period.

Subsequent to the end of the Financial Year and up to the date of this report, the first meeting of the Nomination Committee was held on 23 March 2017, at which the Nomination Committee (i) reviewed the structure, size and composition of the Board; (ii) assessed the independence of the INEDs, (iii) reviewed the Board Diversity Policy; and (iv) recommended to the Board for consideration the re-appointment of all the retiring Directors at the forthcoming AGM.

Corporate Governance Functions

The Board recognises that corporate governance should be the collective responsibility of the Directors which include, but are not limited to:

- developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the Financial Year, the Board has reviewed the performed the above corporate governance functions.

Auditors' Remuneration

For the Financial Year, BDO was engaged as the Group's independent auditors. Apart from the provision of annual audit services, BDO also provided the non-audit services to the Company.

The remuneration paid/payable to BDO, the auditors, for the Financial Year is set out below:

Category of services	**Amounts HK$**
Audit services — Annual audit	500,000
Non-audit services *(Note)*	960,000

Note: Non-audit services represented professional services rendered as reporting accountant in relation to the IPO Placing and agreed upon procedures related to interim reporting.

Accountability and Audit

The Board is committed to provide a balanced, clear and comprehensive assessment of the Group's performance, position and prospects in annual and interim reports, and other financial disclosures required by the GEM Listing Rules. The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group which give a true and fair view of the state of affairs of the Company and the Group's results and cash flow for the Financial Year and are properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards.

The Management also provides the Board with monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 5.01 and Chapter 17 of the GEM Listing Rules.

The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

In addition, BDO has stated in the independent auditor's report its reporting responsibilities on the Company's consolidated financial statements for the Financial Year.

Risk Management and Internal Control

The Board has overall responsibility for the design, implementation, monitor and review of the Group's internal control system including the internal control and risk management for the Company to ensure their effectiveness and efficiency. The objective of internal control is to safeguard the Company's assets and ensure its accounting records are properly maintained, so that all the financial information is accurate and reliable. The Group has adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving the objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. All employees are committed to continually enhancing the risk management measures to ensure that these measures work in line with the growth of our business strategies and integrated into day-to-day operation of the business. The Board shall at least annually review its risk management and internal control system.

The objective of the risk management and internal control of the Group include:

- establishing and constantly improving the risks management and internal control system;
- ensuring the Group's risk management and internal control in compliance with the GEM Listing Rules requirements;
- implementing the top-down approach and bottom-up approach that covers every aspect of the business; and
- managing rather than eliminating the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

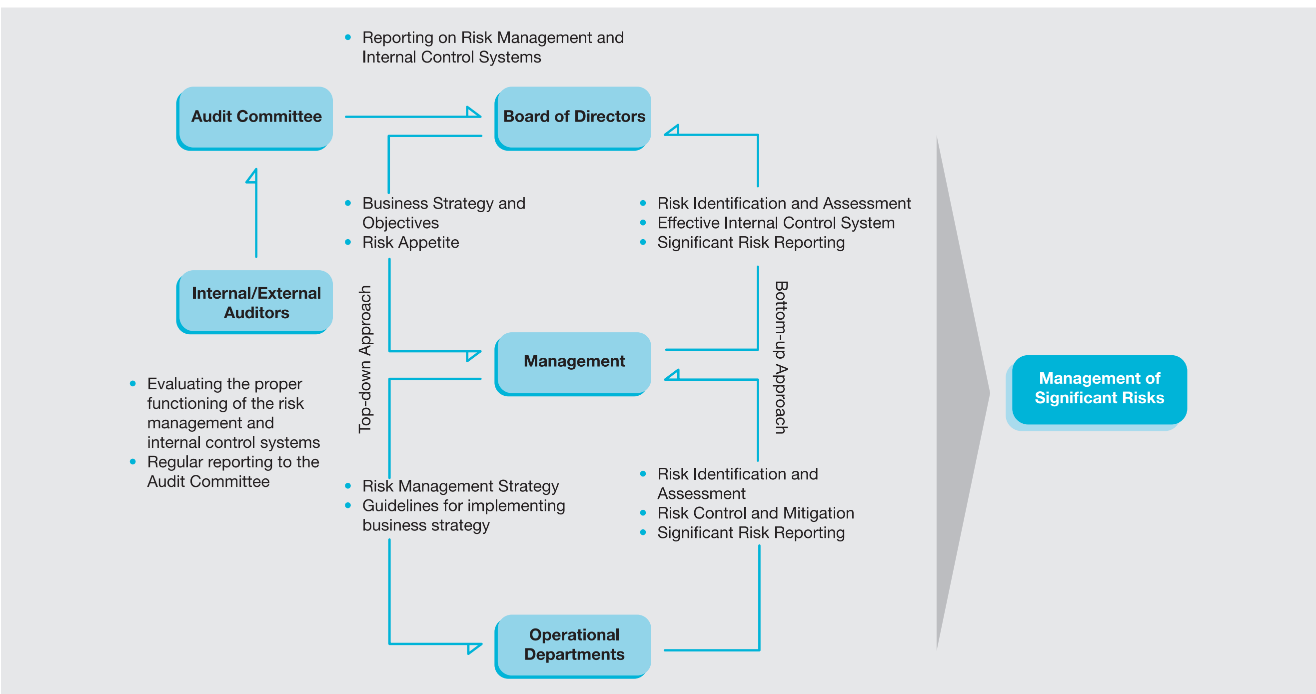
In order to continually improve the Group's internal control and risk management system, the Group has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group. The key procedures that the Group has established and implemented are summarised as follows:

- segregating duties and functions of the respective operational departments of the Group;
- reviewing systems and procedures to identify, measure, manage and control risks; and
- updating the staff handbook, internal control manual and compliance manual where there are changes to business environment or regulatory guidelines.

The Board, by the top-down approach, has a particular focus on determining the nature and extent of significant risks it is willing to take in achieving the business strategies of the Group. The key risks related to the Group's businesses and to the industries in which the Group operates were set out in the section headed "Principal risks and uncertainties" of Chairman's Statement and Management Discussion and Analysis.

Each department of the Group is responsible for identifying its own risks and designing, implementing and monitoring the relevant risk management and internal control systems. The process involves the maintenance of staff handbook, internal control manual and compliance manual setting out the particulars of material risks together with the control measures as reported by significant departments of the Group. This bottom-up approach is integrated into day-to-day operation and complements the top-down strategic view by identifying the principal risks and ensuring the significant risks to be considered by the Board in determining the risk appetite and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The diagram below summarises the complementary top-down and bottom-up aspects of the integrated approach of the Group to risk management and internal control.



The Board has, through the Audit Committee and with the assistance of the management, internal auditors and external auditors, conducted a review of the effectiveness of the Group's risk management and internal control system including financial, operational and compliance controls for the Financial Year.

The Group also engaged an independent internal control consultant to perform the review on internal control of the Group for the Financial Year, including financial, operational and compliance controls and risk management functions.

The Board has conducted a review of the effectiveness of the risk management, internal control system and internal audit function of the Group through discussion with the Audit Committee on major findings and control issue. The Board considers that the Group has implemented appropriate procedures safeguarding the Group's assets and ensure its accounting records are properly maintained and compliance of the relevant laws and regulations. In addition, the Board also considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and internal audit and financial reporting function.

Handling and Dissemination of Inside Information

The Company has established and maintained the procedures and internal controls for the handling and dissemination inside information. The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. The Group has strictly prohibited unauthorised use of confidential or insider information or any use of such information for the advantage of himself or others. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the GEM Listing Rules will be announced on the respective websites of GEM and the Company in due course.

Company Secretary

Mr. Lam Wing Tai ("**Mr. Lam**") was appointed as the Company Secretary on 7 March 2016. Mr. Lam was admitted as a certified practicing accountant of the Certified Practicing Accountants Australia in May 1995 and a certified public accountant of the Hong Kong Institute of Certified Public Accountants in January 1996. Mr. Lam has complied with the training requirement for the Financial Period under Rule 5.15 of the GEM Listing Rules.

Shareholders' Rights

Procedures for Shareholders to convene an extraordinary general meeting (the "EGM")

Pursuant to the Article 58 of the article of association of the Company (the "**Articles**"), any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The requisition must state clearly the name of the Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene the EGM and the proposed agenda.

Procedures for Shareholders to send enquires to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong, presently at Unit 1903, 19/F, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

Communication with the Shareholders

The Board has the overall responsibility to ensure that the Company maintains on-going dialogue with Shareholders and in particular, use annual general meetings or other meetings to communicate with Shareholders and encourage their participation.

Information will be communicated to the Shareholders through convening the annual general meeting or general meeting, publication of annual, interim and quarterly reports, notices, announcements, circulars as well as all the disclosures submitted to the respective websites of GEM and the Company.

Constitutional Documents

Except for the adoption of amended and restated memorandum and articles of association (the "**M&A**") by the Company to comply with the applicable legal and regulatory requirements (including the Listing Rules) on 17 June 2016 in anticipation of the Listing, there were no changes in the constitutional documents of the Company during the Financial Year.

The amended and restated M&A is available on the respective websites of the GEM and the Company.

Report of the Directors

The Board are pleased to present their report together with the audited consolidated financial statements of the Group for the Financial Year.

Reorganisation and Listing

The companies comprising the Group underwent the Reorganisation to rationalise the Group's structure in preparation for the Listing. Details of the Reorganisation were set out in the section headed "History, Reorganisation and Corporate Structure" of the Prospectus. Following the IPO Placing of 200,000,000 shares of the Company (the "**Shares**"), the Company was listed on the GEM of the Stock Exchange on 6 July 2016.

Principal Activities

The Group is principally engaged in the provision of comprehensive international freight services, transportation services as well as warehousing services to customers worldwide. The principal activities of the Company's principal subsidiaries are set forth in note 28 to the consolidated financial statements.

Business Review and Analysis of Key Financial Performance Indicators

The business review and analysis of key financial performance indicator of the Group for the Financial Year are set out in the "Chairman's Statement and Management Discussion and Analysis" of this annual report.

Financial Results

The results of the Group for the Financial Year and the financial position of the Company and the Group as at 31 December 2016 are set forth in the consolidated financial statements on pages 41 to 43 of this annual report.

Final Dividend

The Board do not recommend the payment of a final dividend for the Financial Year.

Summary Financial Information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last three years, as extracted from the audited consolidated financial statements of the Company or the Prospectus, is set out on page 84 of this annual report. This summary does not form part of the consolidated financial statements for the Financial Year.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the Financial Year are set out in note 17 to the consolidated financial statements.

Additional information to the property interest

By comparing the valuation of Group's property interests of RM20,050,000 as set out in Appendix III to the Prospectus and the carrying amount of these properties interests of approximately RM14,716,000 as of 31 December 2016, the Group would carry a valuation surplus of approximately RM5,334,000. Since the valuation surplus of the property interests had not be incorporated in the Group's consolidated financial statements for the Financial Year. If the valuation surplus were to be included in the consolidated financial statements, an additional annual depreciation charge of RM105,000 would have been recognised in the consolidated financial statement of comprehensive income for the Financial Year.

Properties

The Group did not hold any major property for development and/or sale or for investment purpose as at 31 December 2016.

Share Capital

Details of the Company's share capital are set out in notes 24 to the consolidated financial statements.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

Reserves

Details of movements in the reserves of the Company and of the Group during the Financial Year are set out in note 25 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2016, the Company's reserves available for distribution to the Shareholders comprising (share premium, other reserve and accumulated losses amounted to approximately RM54,925,000. Details of the Company's distributable reserves as at 31 December 2016 are set out in note 25 to the consolidated financial statements.

Charitable Contributions

During the Financial Year, the Group made charitable contributions totaling RM3,607.

Share Option Scheme

The Company has adopted the share option scheme ("**Share Option Scheme**") by written resolutions passed by the Shareholders on 17 June 2016. Under the terms of share option scheme, the Board may in its absolute discretion specify such conditions as it thinks fit when granting an option to an eligible person (including, without limitation, as to any minimum period an option must have been held or the minimum period of service or relationship with any member of the Group to be achieved before an option can be exercised (or any part thereof), to the extent of the option which can be exercised at any material time, or any, performance criteria which must be satisfied by the eligible person, the Company, and its subsidiaries, before an option may be exercised).

The purpose of the Share Option Scheme is to advance the interests of the Company and the Shareholders by enabling the Company to grant options to attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group and by enabling such persons' contribution to further advance the interests of the Group.

The Share Option Scheme is valid and effective for a period of ten years commencing on the date of adoption of the Share Option Scheme. As at 31 December 2016, there were a total of 80,000,000 Shares, representing 10% of the issued Shares, available for issue under the Share Option Scheme. Since the Share Option Scheme came into effect, no share options were granted, exercised or cancelled by the Company.

Equity-Linked Agreements

Other than the Share Option Scheme as disclosed above, no equity-linked agreements that (i) will or may result in the Company issuing Shares or (ii) require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the Financial Year or subsisted at the end of the Financial Year.

Purchase, Redemption or Sale of the Listed Securities of the Company

The Shares of were successfully listed on GEM on 6 July 2016. Save as disclosed in the Prospectus, during the Financial Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

Major Customers and Suppliers

During the Financial Year, the five largest suppliers of the Group accounted for about 49.6% of the Group's cost of sales and the largest supplier accounted for about 35.6% of the cost of sales.

During the Financial Year, the five largest customers of the Group accounted for about 65.0% of the Group's total revenue and the largest customer accounted for about 46.3% of the total revenue.

Based on the information publicly available to the Company and to the best knowledge of the Directors, none of the Directors, their respective close associates (as defined in the GEM Listing Rules) or any shareholders (which to the best knowledge of the Directors, own more than 5% of Shares) had any beneficial interest in any of the Group's five largest customers or suppliers referred to above.

Related Parties Transactions

Related parties transactions of the Group during the Financial Year are disclosed in note 30 to the consolidated financial statements. The Directors are not aware of any related parties transactions which constituted a connected transaction or continuing connected transaction under the GEM Listing Rules.

Environmental Policies and Performance

The Group understands the importance of environmental sustainability and protection. We are committed to reducing the impact of our environmental footprint while continuing to deliver optimal logistics services for our customers. In view of our operation, the consumption of fuels and energy while provision of air/sea freight forwarding, trucking and warehousing services is a significant contributor to emission and greenhouse gas and other environmental concerns. Our focus is on improving fuel efficiency for the fleets of trucks, and the energy usage. The Group has adopted policies on pollution prevention, preservation of natural resources and adherence to environmental laws and regulations. The Group also puts green ideas into practice in our daily operations and office renovations. The Environmental, Social and Governance Report for the year ended 31 December 2016 containing all information required by the GEM Listing Rules will be published on the respective websites of GEM and the Company in due course.

Permitted Indemnity Provisions

The Articles provides that the Directors, Secretary and other officers and every Auditor for the time being of the Company shall be entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty. The Company has arranged for appropriate insurance cover for Director's and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Compliance with Laws and Regulations

The Group and its activities are subject to requirements under various laws in Malaysia including Customs Act, Excise Act, Road Transport Act and Occupational Safety and Health Act, Cayman Islands and Hong Kong and all applicable regulations, guidelines, policies and licence terms issued or promulgated under or in connection with these statutes. In addition, the GEM Listing Rules also apply to the Company. The Company seeks to ensure compliance with these requirements through various measures such as internal controls and approval procedures, training and oversight of various business units with the designated resources at different levels of the Group.

The Group has compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements. During the Financial Year, the Group is not aware of any material non-compliance with the relevant laws and regulations that have significant impact on the business of the Group.

Key Relationship with Employees, Customers and Suppliers

The Group is committed to operating in a sustainable manner while balancing the interests of its various stakeholders including employees, customers, suppliers and subcontractors.

The principal policies concerning remuneration of employees are determined based on their duties, responsibilities, experience and skills. The Group regularly reviews and determines the remuneration and compensation packages of the employees. The Group regularly provides discretionary bonuses to its senior management and key employees as incentive. The Group is also committed to providing a safe and healthy environment for its employees. The management policies, working environment, development opportunities and employee benefits have contributed to employees' satisfaction levels and retention level. As part of its human resources policies, the Group organises building and training programs, bonding activities, such as bowling activities and annual staffs dinners, to allow employees to build up teamwork and to strengthen their bonding. During the Financial Year, the Group did not experience any strike or labour dispute with its staffs which had caused significant disruption to the Group's business operations.

The Group maintains good relationship with its customers. The Group has dedicated sales department which carries out sales calls to potential customers and customer service department which handles customer general enquiries, service bookings, complaints and feedback, and provides daily updates to customers on their shipments. If there is any complaint from customers, it will be reported to the management and immediate remedial action will be taken and feedback from the customers will be followed till settlement of the complaint. Thereafter, the cause of such compliant will be studied, analysed and evaluated and recommendations will be in place for improvement.

The Group is committed to upholding the highest ethical and professional standards when dealing with suppliers and subcontractors. The Group has in place a policy in order to monitor their performance. The Group's management team conducts supplier and subcontractor performance review regularly and communicates with suppliers and subcontractors that have unsatisfactory ratings for rectification or improvements. During the Financial Year, the Group did not receive any material complaints from its suppliers and subcontractors due to late payments nor did the Group suffered material shortage of cargo space or other services from them.

In view of the above and as at the date of this report, there is no circumstance of any event which will have a significant impact on the Group's business and on which the Group's success depends.

Directors

The Directors during the year ended 31 December 2016 and up to the date of this report were:

Executive Directors

Mr. Lee Chooi Seng, *Chairman (appointed on 18 February 2016)*
Mr. Chin Seng Leong *(appointed on 18 February 2016)*

Non-executive Director

Dato' Tan Yee Boon *(appointed on 7 March 2016)*

Independent Non-executive Directors

Mr. Lee Kwok Tung Louis *(appointed on 17 June 2016)*
Mr. Liew Weng Keat *(appointed on 17 June 2016)*
Mr. Wong Siu Keung Joe *(appointed on 17 June 2016)*

Article 83 (3) of the Articles provides that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting (the "**AGM**") of the Company and shall then be eligible for re-election.

Article 84 of the Articles provides that (1) one-third of the Directors for the time being (or, if their number is a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each AGM, provided that every Director shall be subject to retirement by rotation at least once every three years. (2) A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election.

Each of Mr. Lee Chooi Seng, Mr. Chin Seng Leong, Dato' Tan Yee Boon, Mr. Lee Kwok Tung Louis, Mr. Liew Weng Keat, and Mr. Wong Siu Keung Joe will retire at the AGM and all of them, being eligible, will offer themselves for re-election at the AGM.

The Company has received written confirmations of independence from each of the INEDs, namely Mr. Lee Kwok Tung Louis, Mr. Liew Weng Keat, and Mr. Wong Siu Keung Joe, pursuant to Rule 5.09 of the GEM Listing Rules. As at the date of this annual report, the Company still considers the INEDs to be independent.

Biographies of Directors

The biographical details of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

Directors' Service Contracts

Each of the executive Directors and the NED have entered into a service agreement with the Company for an initial fixed term of three years commencing from 6 July 2016 and shall continue thereafter until terminated by either party by giving not less than three months' prior notice in writing at any time after such initial fixed term to the other.

Each of the INEDs has entered into a letter of appointment with the Company for an initial term of one year commencing from 17 June 2016 and shall continue thereafter until terminated by either party by giving not less than three months' prior notice in writing at any time after such initial fixed term to the other.

None of the Directors proposed for re-election at the forthcoming AGM has a service agreement/letter of appointment with the Company, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Remunerations

Details of the remuneration of Directors are set out in note 12 to the consolidated financial statements.

Directors' Emolument Policy

The Remuneration Committee was established for reviewing and determining the remuneration and compensation packages of the Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group. The Company has adopted a share option scheme as an incentive to the Directors and eligible employees, details of which are set out in the section headed "Share Option Scheme".

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company

As at 31 December 2016, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules ("**Model Code**") relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange were as follows:

Name of Directors	Capacity/Nature of interest	Number of Shares held[1]	Percentage of shareholding
Mr. Lee Chooi Seng ("**Mr. Lee**")	Interest in controlled corporation[2]	444,000,000 Shares (L)	55.5%
Mr. Chin Seng Leong ("**Mr. Chin**")	Interest in controlled corporation[2]	444,000,000 Shares (L)	55.5%

Notes:

(1) The letter "L" denotes the person's long position in the relevant Shares.

(2) The entire issued share capital of RLDC Investment Holdings Limited ("**RLDC Investment**") is legally and beneficially owned by Mr. Lee as to 50% and Mr. Chin as to 50%. Accordingly, Mr. Lee and Mr. Chin are deemed to be interested in all Shares held by RLDC Investment by virtue of the SFO.

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executives of the Company had, or was deemed to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Model Code.

Substantial Shareholders' Interests and Other Persons' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 31 December 2016, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity/Nature of interest	Number of Shares held[1]	Percentage of shareholding
RLDC Investment	Beneficial owner	444,000,000 (L)	55.5%
Mrs. Ng Yee Hoong	Family interest[2]	444,000,000 (L)	55.5%
Mrs. Dorothy Yeo Mong Yee	Family interest[3]	444,000,000 (L)	55.5%
Walgan Investment Limited ("**Walgan Investment**")	Interest in controlled corporation[4][5]	156,000,000 (L)	19.5%
Mr. Gan Ker Wei ("**Mr. Gan**")	Interest in controlled corporation[4][5]	156,000,000 (L)	19.5%
Mrs. Ong Amy Lai Fong	Family interest[6]	156,000,000 (L)	19.5%
Upright Plan Limited ("**Upright Plan**")	Beneficial owner	78,000,000 (L)	9.75%
Champion Ascent Limited ("**Champion Ascent**")	Beneficial owner	78,000,000 (L)	9.75%
Mr. Chang Kin Man ("**Mr. Chang**")	Interest in controlled corporation[5]	78,000,000 (L)	9.75%
Mrs. Wong Ping Yuk	Family interest[7]	78,000,000 (L)	9.75%

Notes:

(1) The letter "L" denotes the person's long position in the relevant Shares.

(2) Mrs. Ng Yee Hoong is the spouse of Mr. Lee and is therefore deemed to be interested in all of the Shares held/owned by Mr. Lee (through RLDC Investment) by virtue of the SFO.

(3) Mrs. Dorothy Yeo Mong Yee is the spouse of Mr. Chin and is therefore deemed to be interested in all of the Shares held/owned by Mr. Chin (through RLDC Investment) by virtue of the SFO.

(4) The entire issued share capital of Upright Plan is legally and beneficially owned by Walgan Investment which in turn is held by Mr. Gan.

(5) The entire issued share capital of Champion Ascent is legally and beneficially owned by Mr. Chang as to 60% and Walgan Investment as to 40%; and Walgan Investment is wholly-owned by Mr. Gan.

(6) Mrs. Ong Amy Lai Fong is the spouse of Mr. Gan and is therefore deemed to be interested in all of the Shares held/owned by Mr. Gan (through Upright Plan and Champion Ascent) by virtue of the SFO.

(7) Mrs. Wong Ping Yuk is the spouse of Mr. Chang and is therefore deemed to be interested in all of the Shares held/owned by Mr. Chang (through Champion Ascent) by virtue of the SFO.

Save as disclosed above, as at 31 December 2016, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Rights to Acquire Shares or Debentures

At no time during the Financial Year was the Company or its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Non-Competition Undertaking

The Company has received the written confirmations from the Controlling Shareholders for the Relevant Period in respect of the compliance with the provisions of the Non-competition Undertakings entered into between the Controlling Shareholders and the Company as set out in the paragraph 3 of the section headed "Relationship with the Controlling Shareholders of the Prospectus.

The INEDs have reviewed and confirmed that the Controlling Shareholders had complied with the Non-competition Undertaking and the Non-competition Undertaking had been enforced by the Company in accordance with its terms for the Relevant Period.

Competing Interests

As confirmed by the Directors, Controlling Shareholders and their respective close associates do not have any interests in any business, apart from the business operated by members of the Group, which competes or is likely to compete, directly or indirectly, with the business of the Group during Financial Year.

Interests of Compliance Adviser

As at 31 December 2016, except for the compliance adviser agreement entered into between the Company and Ample Capital Limited (the "**Compliance Adviser**"), neither the Compliance Adviser, nor any of its directors, employees or close associates has any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of the GEM Listing Rules.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is a sufficient float of more than 25% the issued Shares as required under the GEM Listing Rules.

Directors' Interest in Significant Contracts

Save as disclosed in the section headed "Related Party Transaction" in note 30 to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Group's business in which the Company or any its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the Financial Year.

Events after the Reporting Period

The Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 December 2016 and up to the date of this report.

Independent Auditor

The consolidated financial statements for the Financial Year were audited by BDO Limited (the "**BDO**"), the independent auditors, who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution will be proposed at the forthcoming AGM to re-appoint BDO as auditor and to authorise the Directors to fix its remuneration.

On behalf of the Board
WORLDGATE GLOBAL LOGISTICS LTD

Lee Chooi Seng
Chairman

Hong Kong, 23 March 2017

Independent Auditor's Report

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TO THE SHAREHOLDERS OF WORLDGATE GLOBAL LOGISTICS LTD
(incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Worldgate Global Logistics Ltd (the "Company") and its subsidiaries (collectively the "Group") set out on pages 41 to 83, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis of Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment on trade receivables

Refer to summary of significant accounting policies in Note 4, accounting estimates and judgements in Note 5(ii) and disclosure of trade receivables in Note 18 to the consolidated financial statements.

As at 31 December 2016, the Group had net trade receivables amounting to RM33,933,000. No impairment provision has been made over the trade receivables.

In determining the impairment on trade receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade receivables.

We have identified impairment assessment of trade receivables as a key audit matter due to considerable amount of judgement and estimates being required in assessing the recoverability of trade receivables as mentioned in the forgoing paragraph.

Our response:

Our procedures in relation to the management's impairment assessment on trade receivables included:

- Obtaining an understanding of the provision for impairment of trade receivable estimated by the management;
- Scrutinising the source documents throughout the year to understand settlement patterns by customers;
- Testing the aging analysis of the trade receivables, on a sample basis, to the source documents; and
- Assessing the reasonableness of recoverability of trade receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of each individual customer.

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Pak Tak Lun
Practising Certificate number: P06170

Hong Kong, 23 March 2017

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 RM'000	2015 RM'000
Revenue	7	107,077	83,044
Cost of sales		(89,075)	(62,231)
Gross profit		18,002	20,813
Other revenue	8	1,106	2,122
Administrative expenses		(19,196)	(11,788)
Finance costs	14	(1,236)	(1,056)
(Loss)/profit before income tax expense	9	(1,324)	10,091
Income tax credit/(expense)	15	1,317	(3,122)
(Loss)/profit for the year attributable to owners of the Company		(7)	6,969
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
— Exchange differences arising on translation of financial statements from functional currency to presentation currency		1,749	(2)
Total comprehensive income for the year attributable to owners of the Company		1,742	6,967

		RM	RM
(Loss)/earnings per share			
Basic and diluted (loss)/earnings per share	16	(0.0010 sen)	1.1615 sen

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 RM'000	2015 RM'000
Non-current assets			
Property, plant and equipment	*17*	24,514	25,103
Prepayment for acquisition of property, plant and equipment		417	417
Total non-current assets		24,931	25,520
Current assets			
Trade and other receivables	*18*	35,177	19,293
Amounts due from directors	*19(a)*	—	6
Amounts due from shareholders	*19(b)*	—	7,756
Tax recoverable		795	1
Cash and cash equivalents		33,329	15,887
Total current assets		69,301	42,943
Current liabilities			
Trade and other payables	*20*	19,836	14,384
Bank borrowings, secured	*21*	1,824	950
Tax payable		39	1,716
Finance lease obligations	*23*	1,646	1,728
Total current liabilities		23,345	18,778
Net current assets		45,956	24,165
Total assets less current liabilities		70,887	49,685
Non-current liabilities			
Deferred tax liabilities	*22*	746	936
Bank borrowings, secured	*21*	13,832	14,153
Finance lease obligations	*23*	2,683	4,291
Total non-current liabilities		17,261	19,380
Net assets		53,626	30,305

Consolidated Statement of Financial Position (continued)

As at 31 December 2016

	Notes	2016 RM'000	2015 RM'000
Capital and reserves			
Share capital	*24*	4,154	7,000
Reserves	*25*	49,472	23,305
Total equity		53,626	30,305

The financial statements on pages 41 to 83 were approved and authorised for issue by the board of directors on 23 March 2017.

Lee Chooi Seng
Director

Chin Seng Leong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital *(Note 24)* RM'000	Reserves: Share premium RM'000	Reserves: Merger reserve RM'000	Reserves: Exchange reserve RM'000	Reserves: Retained earnings RM'000	Total RM'000
Balance at 1 January 2015	7,000	—	—	—	9,509	16,509
Profit for the year	—	—	—	—	6,969	6,969
Other comprehensive income	—	—	—	(2)	—	(2)
Total comprehensive income	—	—	—	(2)	6,969	6,967
Issuance of new shares related to pre- IPO investment	—#	9,972	—	—	—	9,972
Dividends recognised as distribution *(Note 10)*	—	—	—	—	(3,143)	(3,143)
Balance at 31 December 2015 and 1 January 2016	7,000	9,972	—	(2)	13,335	30,305
Loss for the year	—	—	—	—	(7)	(7)
Other comprehensive income	—	—	—	1,749	—	1,749
Total comprehensive income	—	—	—	1,749	(7)	1,742
Dividends declared and paid *(Note 10)*	—	—	—	—	(12,000)	(12,000)
Reorganisation *(Note 25)*	(7,000)	(9,972)	16,972	—	—	—
Issue of ordinary share for re-organisation and placing *(Note 25)*	1,039	35,311	—	—	—	36,350
Transaction costs attributable to issue of new shares *(Note 25)*	—	(2,771)	—	—	—	(2,771)
Capitalisation issue *(Note 25)*	3,115	(3,115)	—	—	—	—
Balance at 31 December 2016	4,154	29,425	16,972	1,747	1,328	53,626

represents amount less than RM1,000

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 RM'000	2015 RM'000
Cash flows from operating activities			
(Loss)/profit before income tax expense		(1,324)	10,091
Adjustments for:			
Depreciation of property, plant and equipment		2,890	2,596
Gain on disposal of property, plant and equipment		(53)	(222)
Unrealised gain on foreign exchange		(157)	(997)
Write-off of property, plant and equipment		–	266
Write-off of loans and receivables		–	242
Interest income	*8*	(226)	(42)
Finance costs	*14*	1,236	1,056
Operating profit before working capital changes		2,366	12,990
Increase in trade and other receivables		(15,781)	(5,977)
Increase in trade and other payables		5,431	7,275
Cash (used in)/from operations		(7,984)	14,288
Interest paid		(1,236)	(1,056)
Income taxes paid		(1,344)	(1,408)
Net cash (used in)/from operating activities		(10,564)	11,824
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,797)	(4,932)
Proceeds from disposal of property, plant and equipment		228	226
Decrease in amounts due from related companies		–	2,179
Interest received		226	42
Net cash used in investing activities		(1,343)	(2,485)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2016

	Notes	2016 RM'000	2015 RM'000
Cash flows from financing activities			
Proceeds from bank borrowings		3,724	3,960
Repayment of bank borrowings		(3,171)	(1,111)
Decrease in amounts due from directors		6	524
Decrease in amounts due from shareholders		7,756	—
Dividends paid		(12,000)	(3,143)
Subscription of new shares		—	2,214
Proceeds from issue of shares under placing		36,350	—
Transaction costs attributable to issue of new shares		(2,771)	—
Repayment of finance lease obligations		(2,367)	(2,010)
Net cash from financing activities		27,527	434
Net increase in cash and cash equivalents		15,620	9,773
Effect of exchange rate changes on cash and cash equivalents		1,822	748
Cash and cash equivalents at beginning of year		15,887	5,366
Cash and cash equivalents at end of year	36	33,329	15,887

Notes to the Financial Statements

For the year ended 31 December 2016

1. Corporate Information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 February 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 July 2016 (the "Listing"). The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business in Hong Kong and Malaysia are located at Unit 1903, 19/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong and No. 42, Jalan Puteri 2/2, Bandar Puteri Puchong, 47100 Puchong, Selangor Darul Ehsan, Malaysia, respectively.

The Company is an investment holding company and the principal activities of its subsidiaries (together with the Company, collectively referred to as the "Group") are set out in Note 28.

The Company's parent is RLDC Investment Holdings Limited (the "RLDC Investment"), a company incorporated in the British Virgin Islands (the "BVI"). In the opinion of the directors, RLDC Investment is also the ultimate parent of the Company.

The financial statements for the year ended 31 December 2016 were approved and authorised for issue by the directors on 23 March 2017.

2. Reorganisation and Basis of Presentation

(a) Group reorganisation

Pursuant to a group reorganisation (the "Group Reorganisation") carried out by the Group in preparation for the listing of shares of the Company on the GEM of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group on 17 June 2016. Details of the Group Reorganisation are as set out in the section headed "History, Reorganisation and Corporate Structure" to the prospectus issued by the Company dated 28 June 2016.

(b) Basis of presentation

The Group Reorganisation involved the combination of a number of entities under common control before and after the Group Reorganisation. The Group is therefore regarded as a continuing entity resulting from the Group Reorganisation, as there has been a continuation of the risks and benefits to the ultimate controlling parties that existed prior to the Group Reorganisation.

Accordingly, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the years ended 31 December 2016 and 2015 have been prepared using the principles of merger accounting as if the current group structure had been in existence throughout those years, or since their respective dates of incorporation or establishment of the combining companies, or since the date when the combining companies first came under the common control, whichever was shorter. The consolidated statement of financial position of the Group as at 31 December 2016 and 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group at that date, as if the current group structure had been in existence as at that date. All significant intra-group transactions and balances have been eliminated on consolidation.

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

These financial statements have been prepared under the historical cost basis.

The functional currency of the Company is Hong Kong dollars ("HK$"), while the financial statements are presented in Malaysian Ringgit ("RM"), which is the functional currency of the Company's major subsidiaries. The directors consider that it is more appropriate to adopt RM as the Group's and the Company's presentation currency. All values are rounded to the nearest thousand except when otherwise indicated.

3. Adoption of New or Revised Hong Kong Financial Reporting Standards ("HKFRSs")

(a) Adoption of new or revised HKFRSs — effective on 1 January 2016

In the current year, the Group has applied for the first time the following new standards and amendments issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2016.

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

The adoption of these amendments and standards has no material impact on the Group's financial statements.

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Share-based Payment[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

3. Adoption of New or Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

(b) New or revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

Amendments to HKFRS 2 — Share-based Payment

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 — Revenue from Contracts with customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

3. Adoption of New or Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

(b) New or revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments HKFRS 15 — Clarifications to HKFRS 15 Revenue from Contracts with customers

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

4. Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

(i) Subsidiaries other than from Group Reorganisation

Except for the Group Reorganisation of which the accounting treatment is described in Note 2(b) above, acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

4. Summary of Significant Accounting Policies (Continued)

(a) Basis of consolidation (Continued)

(i) Subsidiaries other than from Group Reorganisation (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal 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 and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(ii) Merger accounting for common control combination

The consolidated financial statements incorporates the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income include the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. Summary of Significant Accounting Policies (Continued)

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Freehold land	N/A
Leasehold land	Over the remaining lives of the leases
Buildings	50 years
Motor vehicles	5 years
Leasehold improvements	10 years
Computers	3–5 years
Furniture, fixtures and equipment	10 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. Summary of Significant Accounting Policies (Continued)

(d) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(e) Payments for leasehold land held for own use

Leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense and less any impairment losses.

(f) Financial Instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loan and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

4. Summary of Significant Accounting Policies (Continued)

(f) Financial Instruments (Continued)

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— granting concession to a debtor because of debtor's financial difficulty; and

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

Financial liabilities at amortised cost including trade and other payables, bank borrowings and finance lease obligations are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4. Summary of Significant Accounting Policies (Continued)

(g) Revenue recognition

Revenues are recognised when the services are rendered.

For freight forwarding business, it generally coincides with the date of departure for outward freights and the time of transfer of goods to the customers at the designated location for inward freight. The Group effectively acts as a principal in arranging transportation of goods for customers, revenue recognised generally includes the carrier's charges to the Group.

Interest income is recognised on accruals basis using the effective interest method.

(h) Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4. Summary of Significant Accounting Policies (Continued)

(i) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate(s) (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Malaysian Ringgit) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of the reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(j) Employee benefits

(i) Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. Summary of Significant Accounting Policies (Continued)

(k) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that these assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

(n) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

4. Summary of Significant Accounting Policies (Continued)

(n) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group 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 the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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 and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. Accounting Estimates and Judgements

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Useful lives of property, plant and equipment

The Group regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

5. Accounting Estimates and Judgements (Continued)

(ii) Impairment of loans and receivables

The Group assess at each reporting date whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

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.

(iii) Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iv) Classification of bank borrowings

The Group entered into term loan agreements with certain registered banks in Malaysia that are governed by and construed in accordance with the laws of Malaysia and the said agreements include repayment on demand clauses. Judgement is involved in determining whether the Group has unconditional right to defer settlement of these bank borrowings for at least twelve months after the reporting period. The Group, with reference to court decisions on certain legal cases in Malaysia, determines that demand clauses on these bank borrowings shall not have an effect to the Group's ability to defer settlement of its liabilities to these banks for at least twelve months after the reporting period as these clauses would not override other terms and conditions provided in these banking facilities.

The Group classifies its fixed term bank borrowings with these registered banks in Malaysia as current and non-current liabilities in accordance with terms and conditions as stated in respective bank loan agreements.

6. Segment Information

(a) Business segment

The Group has been operating in one operating and reportable segment, being the provision of freight forwarding and related services in Malaysia (country of domicile). The chief operating decision maker make decisions based on the financial information of the Group prepared in accordance with HKFRS about resources allocation and performance assessment.

(b) Geographic information

For the geographical information, revenues from external customers are based on the location of operations. Since the Group solely operates business in Malaysia and all of the non-current assets of the Group are located in Malaysia, no geographical segment information is presented in accordance with HKFRS 8 Operating Segments.

6. Segment Information (Continued)

(c) Information about major customers

Revenue from customers individually contributing over 10% of the total revenue of the Group are as follow:

	2016 RM'000	2015 RM'000
Customer I	49,563	26,611
Customer II	13,518	11,148

7. Revenue

Revenue of the Group represents revenue generated from provision of (i) air freight forwarding and related services; (ii) sea freight forwarding and related services; and (iii) trucking and warehouse and related services. The amounts of each significant category of revenue recognised during the year are as follows:

	2016 RM'000	2015 RM'000
Air freight forwarding and related services	72,869	47,243
Sea freight forwarding and related services	31,874	32,744
Trucking and warehouse and related services	2,334	3,057
	107,077	83,044

8. Other Revenue

	2016 RM'000	2015 RM'000
Interest income from bank deposits	226	42
Gain on foreign exchange:		
— realised gain	615	800
— unrealised gain	157	997
Gain on disposal of property, plant and equipment	53	222
Others	55	61
	1,106	2,122

9. (Loss)/Profit before Income Tax Expense

	2016 RM'000	2015 RM'000
(Loss)/profit before income tax expense is arrived at after charging:		
Auditor's remuneration	267	346
Employee costs *(Note 11)*	11,019	7,611
Write-off of loans and receivables	—	242
Write-off of property, plant and equipment	—	266
Depreciation of property, plant and equipment:		
— Owned	1,219	554
— Held under finance leases	1,671	2,042
Minimum lease payments under operating leases recognised as expense in the year	1,173	929
Listing expenses (including professional fees and other expenses)	6,645	1,445

10. Dividends

	2016 RM'000	2015 RM'000
Interim dividends attributable to owners of the company *(Note a)*	—	3,143
Proposed final dividend *(Note b)*	—	12,000
	—	15,143

Notes:

(a) The interim dividends for the year ended 31 December 2015 amounted to RM3,143,000 represented interim dividends declared by certain group entities to their then shareholders. The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of the financial statements.

(b) The final dividend in respect of the financial year ended 31 December 2015 amounted to RM12,000,000 represented final dividends proposed by certain group entities to their then shareholders. The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of the financial statements.

The board of directors did not recommend the payment of a final dividend for the year ended 31 December 2016. No interim dividend was declared in respect of the year ended 31 December 2016.

11. Employee Costs

	2016 RM'000	2015 RM'000
Employee costs (including directors) comprise:		
Wages and salaries	9,652	6,492
Short-term non-monetary benefits	343	295
Contributions to retirement benefit schemes	1,024	824
	11,019	7,611

12. Directors' Emoluments

Directors' emoluments is disclosed as follows:

Year ended 31 December 2016:

	Fees RM'000	Salaries and other benefits RM'000	Discretionary bonus RM'000	Contributions to retirement benefit schemes RM'000	Total RM'000
Executive directors					
Lee Chooi Seng	312	480	112	66	970
Chin Seng Leong	312	415	96	58	881
Non-executive directors					
Dato' Tan Yee Boon	62	—	—	—	62
Independent non-executive directors					
Lee Kwok Tung Louis	69	—	—	—	69
Liew Weng Keat	69	—	—	—	69
Wong Siu Keung Joe	69	—	—	—	69
	893	895	208	124	2,120

12. Directors' Emoluments (Continued)

Year ended 31 December 2015:

	Fees RM'000	Salaries and other benefits RM'000	Discretionary bonus RM'000	Contributions to retirement benefit schemes RM'000	Total RM'000
Executive directors					
Lee Chooi Seng	—	444	58	59	561
Chin Seng Leong	—	382	50	51	483
	—	826	108	110	1,044

No directors waived any emoluments during the year ended 31 December 2016 (2015: Nil).

13. Five Highest Paid Individuals

The five highest paid individuals included two (2015: two) were directors of the Company whose emoluments are included in the disclosures in Note 12 above. The emoluments of the remaining three (2015: three) individuals were as follow:

	2016 RM'000	2015 RM'000
Salaries and other benefits	641	507
Contributions to retirement benefit schemes	74	61
	715	568

The emoluments of each of the above non-director highest paid individuals were all within the band of nil to RMRM534,000 (approximately nil to HK$1,000,000) and nil to RM501,000 (approximately nil to HK$1,000,000) in 2016 and 2015, respectively.

The emoluments paid or payable to members of senior management were within the band of nil to RM534,000 (2015: RM501,000).

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office in the current year and in prior year. None of the directors nor the five highest paid individuals has waived or agreed to waive any emoluments in the current year and in prior year.

14. Finance Costs

	2016 RM'000	2015 RM'000
Interest on bank overdrafts	86	82
Interest on bank borrowings	779	577
Interest on finance leases	371	397
	1,236	1,056

15. Income Tax (Credit)/Expense

The amount of income tax (credit)/expense in the consolidated statement of comprehensive income represents:

	2016 RM'000	2015 RM'000
Current tax — Malaysia income tax		
— charge for the year	876	3,105
— over-provision in respect of prior years	(2,003)	(388)
	(1,127)	2,717
Deferred tax *(Note 22)*		
— (credit)/charge for the year	(190)	405
Income tax (credit)/expense	(1,317)	3,122

Malaysian income tax is calculated at the statutory rate of 24% (2015: 25%) of the estimated taxable profit for the year. Certain subsidiaries incorporated in Malaysia enjoy tax rate of 20% on the first RM500,000 and remaining balance of the estimated taxable profit at tax rate of 24% (2015: 25%).

During the year, a subsidiary of the Group applied for a pioneer certificate from the relevant government body. On 12 May 2016, the Ministry of International Trade and Industry of Malaysia ("MITIM") had certified the subsidiary of the Group is carrying out promoted activities in Malaysia and granted a pioneer certificate for a period of five years from 1 July 2014 to 30 June 2019. Subject to certain conditions as agreed upon by the MITIM together with the Malaysian Investment Development Authority and also the final approval by the local tax authority in Malaysia, this subsidiary is entitled to a tax exemption of 70% on its statutory income for each of the tax assessment years from 1 July 2014 to 30 June 2019. During the year, the local tax authority approved tax exemption for the year 2015. Accordingly, the Group recognised a tax exemption amount of RM1,555,000 for the financial year 2016 and an amount of RM2,003,000 as over-provision of income tax expense for the prior year.

No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong for the years ended 31 December 2016 (2015: Nil). Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

15. Income Tax (Credit)/Expense (Continued)

The income tax (credit)/expense for the year can be reconciled to the (loss)/profit before income tax (credit)/expense per the consolidated statement of comprehensive income as follows:

	2016 RM'000	2015 RM'000
(Loss)/profit before income tax expense	(1,324)	10,091
Tax calculated at the domestic tax rate	285	2,863
Tax incentive obtained from differential tax rate of 20%	(42)	(46)
Tax effect of expenses not deductible for tax purposes	1,998	694
Tax effect of revenue not taxable	(1,555)	(1)
Over-provision of tax expense in prior year	(2,003)	(388)
Income tax (credit)/expense	(1,317)	3,122

16. (Loss)/Earnings Per Share

The calculation of (loss)/earnings per share is based on the (loss)/earnings attributable to owners of the Company and the weighted average number of ordinary shares in issue during the respective periods.

The calculation of basic and diluted (loss)/earnings per share is based on the following information:

	2016 RM'000	2015 RM'000
(Loss)/Earnings		
(Loss)/profit for the year attributable to owners of the Company	(7)	6,969

	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year	698,360,656	600,000,000

The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the year ended 31 December 2015 of 600,000,000 represents the number of shares of the Company in issue immediately after the completion of the Capitalisation issue as further described in Note 24, as if these shares had been issued throughout the year.

The weighted average number of ordinary shares used for the purposes of calculating the basic loss per share for the year ended 31 December 2016 of 698,360,656 includes the weighted average number of shares issued pursuant to the Placing (Note 24) of 200,000,000 shares, in addition to the aforementioned 600,000,000 shares in issue immediately after the Capitalisation issue.

Diluted (loss)/earnings per share were the same as the basic (loss)/earnings per share as the Group had no dilutive potential shares during the years ended 31 December 2016 and 2015.

17. Property, Plant and Equipment

	Freehold land RM'000	Leasehold land and buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computers RM'000	Furniture, fixtures and equipment RM'000	Total RM'000
Cost:							
At 1 January 2015	317	13,223	10,153	885	873	723	26,174
Additions	910	479	1,190	3,252	129	145	6,105
Written off	—	—	(271)	—	(48)	—	(319)
Disposals	—	—	(97)	—	—	(16)	(113)
At 31 December 2015 and 1 January 2016	1,227	13,702	10,975	4,137	954	852	31,847
Exchange adjustment	—	—	—	4	—	—	4
Additions	—	483	707	703	371	210	2,474
Disposals	—	—	(1,341)	—	—	—	(1,341)
At 31 December 2016	1,227	14,185	10,341	4,844	1,325	1,062	32,984
Accumulated depreciation:							
At 1 January 2015	—	156	2,719	505	554	376	4,310
Charge for the year	—	269	2,042	112	110	63	2,596
Written off	—	—	(5)	—	(48)	—	(53)
Disposals	—	—	(97)	—	—	(12)	(109)
At 31 December 2015 and 1 January 2016	—	425	4,659	617	616	427	6,744
Exchange adjustment	—	—	—	1	—	—	1
Charge for the year	—	271	1,964	426	145	84	2,890
Disposals	—	—	(1,165)	—	—	—	(1,165)
At 31 December 2016	—	696	5,458	1,044	761	511	8,470
Net carrying amount:							
At 31 December 2015	1,227	13,277	6,316	3,520	338	425	25,103
At 31 December 2016	1,227	13,489	4,883	3,800	564	551	24,514

The Group's land and buildings, included above at cost, were valued at RM20,050,000 as at 17 June 2016 in the prospectus issued on 28 June 2016 in connection with the listing of the Company's shares on 6 July 2016. Had the Group's buildings been included in these financial statements at such valuation amount throughout the year ended 31 December 2016, an additional depreciation charge of RM105,000 would have been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2016.

As at 31 December 2016, a freehold land included in property, plant and equipment with a net carrying amount of RM1,227,000 (2015: RM1,227,000) is situated outside Hong Kong.

As at 31 December 2016, the carrying amount of motor vehicles include an amount of RM4,656,000 (2015: RM6,316,000) in respect of assets held under finance leases.

As at 31 December 2016, certain of the Group's land and buildings with net carrying amount of RM14,716,000 (2015: RM14,504,000) were pledged to secure the bank borrowings granted to the Group by licensed banks (Note 21).

18. Trade and Other Receivables

	2016 RM'000	2015 RM'000
Trade receivables	**33,933**	17,601
Prepayments and deposits	**586**	1,159
Other receivables	**658**	533
	35,177	19,293

The average credit period granted to trade debtors ranging from 30–60 days from the invoice date.

Included in trade and other receivables are trade debtors (net of impairment losses) with the following aging analysis, based on invoice dates, as at 31 December 2016 and 2015:

	2016 RM'000	2015 RM'000
Within 1 month	**17,054**	8,832
1 to 2 months	**9,191**	6,520
2 to 3 months	**4,126**	1,436
Over 3 months	**3,562**	813
	33,933	17,601

At the end of each of the reporting periods, the Group reviews trade and other receivables for evidence of impairment on both individual and collective basis. Based on the impairment assessment, no impairment loss has been recognised as at 31 December 2016 and 2015. The Group did not hold any collateral as security or other credit enhancement over the trade receivables.

The aging of trade receivables which are past due but not impaired is as follows:

	2016 RM'000	2015 RM'000
Neither past due nor impaired	**17,786**	9,034
Past due but not impaired:		
Less than 1 month	**8,625**	6,433
1 to 3 months	**6,131**	1,714
More than 3 months but less than 12 months	**1,391**	420
	16,147	8,567

Trade receivables that were past due but not impaired related to a number of independent customers that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

19. Amounts Due from Directors and Shareholders

(a) Amounts due from directors of the Group are disclosed as follows:

	As at 1 January 2016 RM'000	As at 31 December 2016 RM'000	Maximum outstanding amount during the year RM'000
Mr. Lee	3	—	3
Mr. Chin	3	—	3
	6	—	

	As at 1 January 2015 RM'000	As at 31 December 2015 RM'000	Maximum outstanding amount during the year RM'000
Mr. Lee	265	3	267
Mr. Chin	265	3	267
	530	6	

The amounts were non-trade related, unsecured, interest-free and repayable on demand. The amounts were fully settled during the year.

(b) Amounts due from shareholders are disclosed as follows:

	As at 1 January 2016 RM'000	As at 31 December 2016 RM'000	Maximum outstanding amount during the year RM'000
Upright Plan	3,878	—	3,878
Champion Ascent	3,878	—	3,878
	7,756	—	

	As at 1 January 2015 RM'000	As at 31 December 2015 RM'000	Maximum outstanding amount during the year RM'000
Upright Plan	—	3,878	3,878
Champion Ascent	—	3,878	3,878
	—	7,756	

19. Amounts Due from Directors and Shareholders (Continued)

The amounts were non-trade related, unsecured, interest-free and repayable on demand. Subsequent to 31 December 2015, the amounts were fully settled.

No amount due from shareholder was noted for the year ended 31 December 2016.

20. Trade and Other Payables

	2016 RM'000	2015 RM'000
Trade payables	16,704	9,454
Other payables, accruals and deposits received	3,132	4,930
	19,836	14,384

Trade payables are non-interest bearing. The Group is normally granted credit terms ranging from 0 to 30 days from the invoice date.

Included in trade and other payables are trade creditors with the following aging analysis, based on invoice dates, as at 31 December 2016 and 2015:

	2016 RM'000	2015 RM'000
Within 1 month	10,587	3,640
1 to 2 months	5,312	4,664
2 to 3 months	296	759
Over 3 months	509	391
	16,704	9,454

21. Bank Borrowings, Secured

	2016 RM'000	2015 RM'000
Secured and interest-bearing bank borrowings[1]	14,638	15,086
Bank overdrafts	1,018	17
	15,656	15,103
Bank borrowings are scheduled to repay as follows:		
— on demand or within one year	1,824	950
— more than one year, but not exceeding two years	846	1,050
— more than two years, but not exceeding five years	2,779	3,373
— after five years	10,207	9,730
	15,656	15,103
Amount due within one year included in current liabilities	(1,824)	(950)
Amount included in non-current liabilities	13,832	14,153

Notes:

(1) Bank borrowings are interest-bearing at the banks' base lending rate adjusted by certain basis points per annum. The interest rates of the Group's bank borrowings as at 31 December 2016 granted under banking facilities ranged from 4.5% to 7.2% (2015: 4.2% to 6.9%) per annum.

(2) As at 31 December 2016, the carrying amount of bank loans that are not repayable within one year from the end of the reporting period contains repayment on demand clause amounting to RM13,832,000 (2015: RM14,153,000).

In accordance with the case laws established in Malaysia, it is determined that the mere inclusion of a repayment on demand clause in a term loan agreement governed under the laws of Malaysia would not allow the banks to early terminate the facilities granted and to seek immediate repayment from the borrower unless there is a breach by the borrower, as the clause would not override other terms and conditions provided in the term loan agreement.

Accordingly, the liabilities associated with the term loans of the Group raised in Malaysia that contain a repayment on demand clause are classified as current and/or non-current liabilities during the year in accordance with other terms and conditions as stated in the respective term loan agreement.

(3) The Group's bank borrowings and banking facilities are secured by the followings:

— Land and buildings with net carrying amount of RM14,716,000 (2015: RM14,504,000) as at 31 December 2016 (Note 17); and

— As at 31 December 2016, the banking facilities are secured by corporate guarantee of the Company (2015: personal guarantees provided by Mr. Lee Chooi Seng and Mr. Chin Seng Leong (collectively the "Controlling Shareholders").

22. Deferred Tax Liabilities

Details of the deferred tax liabilities recognised and movements during the year:

	Accelerated tax depreciation RM'000
At 1 January 2015	531
Charge to profit or loss for the year	405
At 31 December 2015 and 1 January 2016	936
Credit to profit or loss for the year	(190)
At 31 December 2016	746

No deferred tax asset has been provided in the financial statements as there were no material deductible temporary differences as at 31 December 2016 (2015: Nil).

23. Finance Lease Obligations

The Group leases certain motor vehicles. Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Future lease payments are due as follows:

At 31 December 2016:

	Minimum lease payments RM'000	**Interest RM'000**	**Present value RM'000**
Not later than one year	**1,851**	**205**	**1,646**
More than 1 year but less than 2 years	**1,810**	**105**	**1,705**
Later than 2 years and not later than 5 years	**1,011**	**33**	**978**
	4,672	**343**	**4,329**

At 31 December 2015:

	Minimum lease payments RM'000	Interest RM'000	Present value RM'000
Not later than one year	2,038	310	1,728
More than 1 year but less than 2 years	1,786	209	1,577
Later than 2 years and not later than 5 years	2,858	144	2,714
	6,682	663	6,019

23. Finance Lease Obligations (Continued)

The present value of future lease payments are analysed as follows:

	2016 RM'000	2015 RM'000
Current liabilities	**1,646**	1,728
Non-current liabilities	**2,683**	4,291
	4,329	6,019

(a) As at 31 December 2016, the banking facilities are secured by corporate guarantee of the Company (2015: personal guarantees provided by Mr. Lee Chooi Seng and Mr. Chin Seng Leong (collectively the "Controlling Shareholders").

(b) As at 31 December 2016, the effective interest rates of the Group's finance lease liabilities ranged from 2.2% to 3.9% (2015: 2.4% to 3.4%) per annum.

24. Share Capital

	2016 RM'000	2015 RM'000
Ordinary shares of HK$0.01 each		
Issued and fully paid		
As at 31 December	**4,154**	7,000#

The issued share capital of the Group as at 31 December 2015 represented the combined share capital of the group entities prior to the reorganisation of the Group. More detailed information has been disclosed in the Prospectus of the Company issued on 28 June 2016.

24. Share Capital (Continued)

The share capital balance as at 31 December 2016 represented the issued share capital of the Company. Details of the movements in the authorised and issued and fully paid share capital of the Company during the period from 18 February 2016 (date of incorporation) to 31 December 2016 are summarised as follows:

	Number of shares	Amount RM'000	Amount HK$'000
Ordinary shares of HK$0.01 each			
Authorised:			
Upon incorporation *(Note (i))*	38,000,000	205	380
Increase in authorised share capital *(Note (ii))*	962,000,000	5,178	9,620
At 31 December 2016	1,000,000,000	5,383	10,000

	Number of shares	Amount RM'000	Amount HK$'000
Issued and fully paid:			
Issue of shares upon incorporation *(Note (i))*	1	—#	—#
Issue of ordinary shares during the period *(Note (iii))*	99	—#	—#
Placing *(Note (iv))*	200,000,000	1,039	2,000
Capitalisation issue *(Note (v))*	599,999,900	3,115	6,000
At 31 December 2016	800,000,000	4,154	8,000

Represents amount less than RM1,000

Notes:

(i) The Company was incorporated on 18 February 2016 with authorised share capital of RM204,550 (equivalent to HK$380,000) divided into 38,000,000 ordinary shares of HK$0.01 each. Upon incorporation, one nil-paid subscriber share (the "Initial Share") was allotted and issued to the subscriber. On the same day, the initial subscriber transferred its Initial Share to RLDC Investment Holdings Limited (the "RLDC Investment"). RLDC Investment is a company incorporated in British Virgin Islands and was beneficially owned by the Controlling Shareholders.

(ii) On 17 June 2016, the authorised share capital of the Company was increased from HK$380,000 to HK$10,000,000 divided into 1,000,000,000 shares of HK$0.01 each by the creation of additional 962,000,000 shares of HK$0.01 each.

(iii) On 17 June 2016, the Company allotted and issued 99 shares in aggregate to RLDC Investment, Upright Plan Limited and Champion Ascent Limited which were credited as fully paid as consideration for the transfer of their shareholding interest in Worldgate International Investment Limited. Upon completion of the Reorganisation on 17 June 2016, the Company has become the holding company of the Group.

(iv) On 5 July 2016, the placing of 200,000,000 ordinary shares of the Company of HK$0.01 each at the placing price of HK$0.35 per placing share were allotted and issued.

(v) Upon completion of the Placing, the issue of 599,999,900 ordinary shares of the Company at par to the shareholders of the Company on a pro-rata basis by way of capitalising an amount of RM3,115,000 (or equivalent to HK$5,999,999) from the share premium account of the Company which was approved by the shareholders of the Company on 17 June 2016 and has become unconditional.

(vi) Among the gross proceeds from the Placing of RM36,350,000 (or equivalent to HK$70,000,000), RM1,039,000 (or equivalent to HK$2,000,000) representing the aggregate par value of shares issued was credited to the Company's share capital whereas the remaining amount of RM35,311,000 (or equivalent to HK$68,000,000) was credited to share premium account.

(vii) The share issuance expenses, which amounted to RM2,771,000, were deducted from share premium account.

25. Reserves

The Group

The following describes the nature and purpose of each reserve within owners' equity:

Share premium

The balance represents the excess of consideration received for issue of shares over the corresponding par value of the issued shares. The application of the share premium account is governed by the applicable laws of the Cayman Islands.

Merger reserve

Merger reserve mainly arose from the Reorganisation upon completion of reorganisation. Merger reserve as at 31 December 2016 amounting to RM16,972,000 represented the difference between the nominal value of shares issued by the Company and the issued share capital and share premium of its subsidiaries including Worldgate Express, My Forwarder, Freight Transport and Worldgate International.

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy in Note 4(i).

The Company

The movements of the Company's reserves during the period from 18 February 2016 (date of incorporation) to 31 December 2016 are as follows:

	Share premium RM'000	Exchange reserve RM'000	Other reserve *(Note)* RM'000	Accumulated losses RM'000	Total RM'000
Loss for the period	—	—	—	(6,884)	(6,884)
Issue of shares for					
— Capitalisation issue *(Note 24(v))*	(3,115)	—	—	—	(3,115)
— Reorganisation and Placing *(Note 24(vi))*	35,311	—	32,384	—	67,695
Transaction costs attributable to issue of new shares *(Note 24(vii))*	(2,771)	—	—	—	(2,771)
Exchange differences	—	3,311	—	—	3,311
	29,425	3,311	32,384	(6,884)	58,236

Note: Other reserve represents the difference between the nominal value of the shares issued for reorganisation and the net assets value of its subsidiary at the date of acquisition.

26. Share Option Scheme

Pursuant to written resolutions passed by the shareholders of the Company on 17 June 2016, the shareholder of the Company approved the adoption of a share option scheme (the "Share Option Scheme"). The Share Option Scheme enables the Company to grant options to eligible persons as incentives or rewards for their contributions to the Group.

The Share Option Scheme will be valid and effective for a period of 10 years commencing from 17 June 2017, after which period no further options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and the options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

The board of directors may, at its absolute discretion, invite any eligible persons to take up options at a price determined by the board of directors which shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average of the closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the offer date; or (iii) nominal value of a share. Upon acceptance of the offer of an option, the grantee shall pay a nominal amount to be determined by the Board of Directors.

No option has been granted under the Share Option Scheme since its adoption.

27. Holding Company Statement of Financial Position

As at 31 December 2016

	Notes	2016 RM'000
Non-current assets		
Investments in subsidiary	*28*	32,384
Total non-current assets		32,384
Current assets		
Other receivables, deposits and prepayments		330
Amounts due from subsidiaries		10,816
Cash and cash equivalents		19,291
Total current assets		30,437
Current liabilities		
Other payables and accruals		431
Total current liabilities		431
Net current assets		30,006
Net assets		62,390
Capital and reserves		
Share capital	*24*	4,154
Reserves	*25*	58,236
Total equity		62,390

On behalf of the directors

Lee Chooi Seng
Director

Chin Seng Leong
Director

28. Investments in Subsidiaries

Details of principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation and type of legal entity	Place of operation	Issue and paid up capital	Effective interest held by the Company Directly	Effective interest held by the Company Indirectly	Principal activities
Worldgate International Investments Limited	The British Virgin Islands/Limited liability company	Hong Kong	US$100	100%	—	Investment holding
Worldgate Express Services Sdn. Bhd.	Malaysia/Limited liability company	Malaysia	RM5,000,000	—	100%	Freight forwarder
My Forwarder International Sdn. Bhd.	Malaysia/Limited liability company	Malaysia	RM1,000,000	—	100%	Freight forwarder
Freight Transport Network Sdn. Bhd.	Malaysia/Limited liability company	Malaysia	RM1,000,000	—	100%	Freight forwarder
Dong Tai Logistics (Hong Kong) Holdings Limited	Hong Kong/Limited liability company	Hong Kong	HK$10,000	—	100%	Provide supporting services to other Group's entities
Worldgate Haulage Services Sdn. Bhd.	Malaysia/Limited liability company	Malaysia	RM500,000	—	100%	Provision of trucking and haulage services

29. Operating Leases

Operating lease payments represent rentals payable by the Group for certain of its leased properties. Leases are negotiated for terms between 1 year and 4 years at fixed rentals.

At the end of each of the reporting period, the future minimum lease payments of the Group under non-cancellable operating leases which fall due as follows:

	2016 RM'000	2015 RM'000
Not later than one year	579	208
Later than one year and not later than two years	607	13
Later than two years and not later than five years	42	—
	1,228	221

30. Related Party Transactions

(a) At 31 December 2015, the Controlling Shareholders provided personal guarantees to secure for the bank borrowings and banking facilities (Note 21) and finance lease obligations (Note 23) grant to the Group. During the year ended 31 December 2016, the personal guarantees provided by the Controlling Shareholders to banks had been released and replaced by corporate guarantee provided by the Company, respectively.

(b) The remuneration of directors and other members of key management were as follows:

	2016 RM'000	2015 RM'000
Wages and salaries	3,193	1,656
Contributions to retirement benefits schemes	249	198
	3,442	1,854

31. Contingent Liabilities

As at 31 December 2016, bank guarantees of RM538,000 (2015: RM612,000) of the Group were issued to suppliers for operational requirements. The directors do not consider it is probable that a claim will be made against the Group under these guarantees.

32. Capital Commitments

	2016 RM'000	2015 RM'000
Commitments for the acquisition of property, plant and equipment	734	3,151

33. Summary of Financial Assets and Financial Liabilities by Category

The following table shows the carrying amount of financial assets and liabilities:

	2016 RM'000	2015 RM'000
Financial assets		
Loans and receivables		
— Cash and cash equivalents	33,329	15,887
— Trade and other receivables	34,713	18,476
— Amounts due from shareholders	—	7,756
— Amounts due from directors	—	6
	68,042	42,125
Financial liabilities measured at amortised cost		
— Trade and other payables	19,156	13,679
— Finance lease obligations	4,329	6,019
— Bank borrowings	15,656	15,103
	39,141	34,801

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables, bank borrowings, finance lease obligations and balances with shareholders and directors.

Due to their short term nature, the carrying values of cash and cash equivalents, trade and other receivables, trade and other payables, bank borrowings, finance lease obligations and balances with shareholders and directors approximate their fair value.

34. Financial Risk Management

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables and bank deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers. Trade receivables are due within 30 to 60 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group has a certain concentration of credit risk as 35% (2015: 36%) and 68% (2015: 51%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively.

Substantial bank deposits are held in major financial institutions which management believes are of high credit quality.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's bank borrowings, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

	Carrying amount RM'000	Total contractual undiscounted cash flow RM'000	Within 1 year or repayable on demand RM'000	More than 1 year but less than 2 years RM'000	More than 2 years but less than 5 years RM'000	More than 5 years RM'000
31 December 2016						
Trade and other payables	19,836	19,836	19,836	—	—	—
Bank borrowings	15,656	21,395	2,562	1,545	4,601	12,687
Finance lease obligations	4,329	4,672	1,851	1,810	1,011	—
	39,821	45,903	24,249	3,355	5,612	12,687

34. Financial Risk Management (Continued)

(b) Liquidity risk (Continued)

	Carrying amount RM'000	Total contractual undiscounted cash flow RM'000	Within 1 year or repayable on demand RM'000	More than 1 year but less than 2 years RM'000	More than 2 years but less than 5 years RM'000	More than 5 years RM'000
31 December 2015						
Trade and other payables	14,384	14,384	14,384	—	—	—
Bank borrowings	15,103	20,031	1,615	1,667	4,948	11,801
Finance lease obligations	6,019	6,682	2,038	1,786	2,858	—
	35,506	41,097	18,037	3,453	7,806	11,801

(c) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from bank deposits, bank borrowings and finance lease liabilities. Borrowings arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

All of the Group's bank borrowings as at 31 December 2015 and 2016 bore interest at floating rates whereas its finance lease liabilities bore interest at fixed rates. Details of bank borrowings and finance lease liabilities are disclosed in Notes 21 and 23, respectively.

The Group's bank balances, also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors of the Group consider the Group's exposure to interest rate risk in respect of bank balances is not significant due to low level of deposit interest rate.

The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

At 31 December 2015, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year and retained profits by approximately RM33,000. The changes in interest rates do not affect the Group's other component of equity.

At 31 December 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year and retained profits by approximately RM106,000. The changes in interest rates do not affect the Group's other component of equity.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2015.

34. Financial Risk Management (Continued)

(d) Currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates.

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving rise to foreign currency risk are primarily United States Dollars ("USD"). The management monitors foreign currency exposure of the Group and will consider undertaking foreign exchange hedging activities to reduce the impact of foreign exchange rate movements on the Group's operating result.

As at 31 December 2015, the Group had a open foreign currency forward contract to sell USD to a reputable bank in Malaysia to mitigate the risk on foreign currency fluctuation against RM. The net open position and fair value of the foreign currency forward contracts were USD100,000 and RM50,000 (financial liabilities), respectively.

As at 31 December 2016, the Group had no open foreign currency forward contracts to mitigate the risk on foreign currency fluctuation against RM.

In the opinion of directors, the net open position of the foreign currency forward contract and its fair value as at 31 December 2015 was not significant to the Group.

The net position of the carrying amounts of the foreign currency denominated monetary assets and liabilities as at 31 December 2015 and 2016 are as follows:

	2016 RM'000	2015 RM'000
Trade receivables	3,108	9,047
Cash and cash equivalents	9,895	6,256
Trade payables	(1,114)	(1,988)
Net monetary assets	11,889	13,315

The following tables illustrate the approximate change in the Group's loss/profit for the year and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of each reporting period.

	2016 RM'000	2015 RM'000
USD appreciated by 5%	594	666

The change in exchange rates do not affect the Group's other component of equity. The same percentage depreciation in the foreign currencies against the functional currency of the respective group companies would have the same magnitude on loss and retained profits but of opposite effect.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next reporting date.

35. Capital Management

The Group's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group monitors capital using gearing ratio, which is total debt to equity. Total debts include bank borrowings and finance lease obligations. Equity represents total equity of the Group.

The directors of the Group actively and regularly review and manage the Group's capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholders' returns. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and raise new debts or sell assets to reduce debt.

The gearing ratios as at 31 December 2016 and 2015 were as follows:

	2016 RM'000	2015 RM'000
Bank borrowings	15,656	15,103
Finance lease obligations	4,329	6,019
	19,985	21,122
Total equity	53,626	30,305
Gearing ratio	37%	70%

The Group targets to maintain a gearing ratio to be in line with the expected changes in economic and financial conditions. The Group's overall strategy on capital management remains unchanged throughout the year.

36. Notes to the Consolidated Statement of Cash Flows

Major non-cash transactions

Significant non-cash transactions under financing activities comprise arrangements in respect of property, plant and equipment entered by the Group with a total capital value at the inception of finance leases of RM677,000 and RM1,173,000 for the year ended 31 December 2016 and 2015, respectively.

Financial Summary

A summary of the results, and of the assets and liabilities of the Group for the last three financial years, as extracted from the published audited consolidated financial statements or the Prospectus of the Company is set out below.

RESULTS

	For the year ended 31 December		
	2014 RM'000	2015 RM'000	**2016** **RM'000**
Revenue	60,375	83,044	**107,077**
Cost of sales	(46,989)	(62,231)	**(89,075)**
Gross profit	13,386	20,813	**18,002**
Other revenue	897	2,122	**1,106**
Administrative expenses	(7,921)	(11,788)	**(19,196)**
Finance costs	(611)	(1,056)	**(1,236)**
Profit/(loss) before income tax expense	5,751	10,091	**(1,324)**
Income tax expense/(credit)	(1,876)	(3,122)	**1,317**
Profit/(loss) for the year	3,875	6,969	**(7)**
Attributable to:			
Owners of the Company	3,875	6,969	**(7)**

ASSETS AND LIABILITIES

	As at 31 December		
	2014 RM'000	2015 RM'000	**2016** **RM'000**
Total assets	43,800	68,463	**94,232**
Total liabilities	(27,291)	(38,158)	**(40,606)**
Total equity	16,509	30,305	**53,626**