WORLDGATE GLOBAL LOGISTICS LTD
盛良物流有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8292

ANNUAL REPORT 2018

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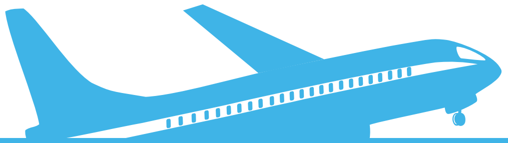


CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Lee Chooi Seng *(Chairman)*
Mr. Chin Seng Leong
Ms. Wen Jianping
Ms. Tsui Ka Mei

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
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarters and Principal Place of Business in Malaysia

No. 42, Jalan Puteri 2/2
Bandar Puteri Puchong
47100 Puchong
Selangor Darul Ehsan
Malaysia

Principal Place of Business in Hong Kong

Unit 1903, 19/F
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Principal Share Registrar and Transfer Office in the Cayman Islands

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F
148 Electric Road
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 annual report of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018 (the "**Financial Year**").

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, trucking and warehousing to customers worldwide, during the Financial Year, we commenced a new business of trading of used mobile phones in Hong Kong.

Business Review

Integrated logistics services business

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 compete 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 of the Company dated 28 June 2016 (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) trucking and warehousing and related services.

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. *Air Freight Forwarding and Related Services*

During the Financial Year, the revenue from the air freight services was the second largest source of income which accounted for approximately RM32.6 million (2017: RM55.5 million), representing a decrease of about 41.2% 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 2018 and 2017 is set out in the table as below:

	For the year ended 31 December	
	2018	2017
	'000 kg	'000 kg
Air freight shipment volume		
(a) Export	**5,933**	5,170
(b) Import	**3,507**	5,363

2. *Sea Freight Forwarding and Related Services*

During the Financial Year, the revenue from the sea freight services was the largest source of income which accounted for approximately RM34.4 million (2017: RM36.0 million), representing a decrease of about 4.5% 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 2018 and 2017 is set out in the table as below:

	For the year ended 31 December	
	2018	2017
	TEU	TEU
Sea freight shipment volume		
(a) Export	**7,214**	6,477
(b) Import	**11,772**	12,540

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. *Trucking and Warehousing and Related Services*

(i) 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 RM3.8 million (2017: RM4.2 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.

(ii) Warehousing and Related Services

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 about 1% of the Group's total revenue for the year ended 31 December 2018 and 2017.

Trading of used mobile phones business

Reference is made to the Company's announcement dated 7 December 2018, the Group has established a new business segment which is engaged in trading of used mobile phones in Hong Kong ("**New Business**"). The Board is of the view that the New Business will diversify the income stream of the Company and broaden its revenue base.

During the Financial Year, the Group recorded a revenue from the trading of used mobile phones of approximately RM2.5 million, representing approximately 3.3% of our total revenue. The segment profit before tax expenses was approximately RM0.1 million. It is expected that the New Business may also improve the capital usage efficiency of the Company and generate additional investment returns on the idle funds of the Company.

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 companies continue to set up new manufacturing plants in Penang; (ii) new business opportunities in Malacca, Johor and border of Thailand upon 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. The Group has recently attracted a new customer which is a forwarding agent of a world leading multinational engineering and electronics company headquartered in Germany. It is expected that the new customer will generate recurring business and it may have a positive impact on our revenue. Besides, the Group commenced its trading of used mobile phones business. The Board is of the view that the new trading business will diversify the income stream of the Company and broaden its revenue base. It is expected that the New Business may also improve the capital usage efficiency of the Company and generate additional investment returns on the idle funds of the Company.

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Financial Review

Integrated logistics services business

Revenue

The Group's total revenue from the integrated logistics services amounted to approximately RM71.8 million and RM96.4 million for the year ended 31 December 2018 and 2017. Majority of the Group's income was attributable to integrated logistics services for the year ended 31 December 2018 and 2017. For the Financial Year, approximately 43.9% and 46.3% of the Group's revenue was attributable to air freight services and sea freight services respectively. For the year ended 31 December 2017, approximately 57.5% and 37.4% of the Group's turnover was attributable to air freight services and sea freight services respectively.

Revenue from the integrated logistics services for the Finance Year decreased by approximately 25.6% or approximately RM24.6 million as compared to that of the previous year. The decrease was mainly due to revenue from Customer I decreased by approximately 78.6% or RM26.8 million as compared with the last year.

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 decrease in shipment volume and revenue, the cost of sales for the Financial Year decreased by approximately 23.7% or RM19.3 million as compared to that of the previous year.

Gross Profit and Gross Profit Margin

The gross profit decreased by approximately 18.8% from RM15.1 million for the year ended 31 December 2017 to RM12.2 million for the Financial Year. It was mainly due to the revenue generated from air freight services for the year ended 31 December 2018 decreased 41.2% where the shipment volume decrease about 10.4% from about 10.5 million kg for the year ended 31 December 2017 to about 9.4 million kg for the Financial Year. Further, revenue generated from sea freight services for the year ended 31 December 2018 decreased 4.5% where the shipment volume decreased about 0.2% from about 19,017 TEU for the year ended 31 December 2017 to about 18,986 TEU for the Financial Year. With the combined effects of revenue and cost of sales, the Group's gross profit margin of integrated logistics services increased to 16.9% for the year ended 31 December 2018 from 15.6% for the year ended 31 December 2017.

Trading of used mobile phones business

The Group commenced its trading of used mobile phones segment and generated revenue in the fourth quarter of Financial Year. Revenue from trading of used mobile phones business of approximately RM2.5 million and its gross profit margin was approximately 4.8% and the segment profit before tax expenses was approximately RM0.1 million.

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

Administrative Expenses

The administrative expenses decreased by approximately RM0.6 million, from RM16.0 million for the year ended 31 December 2017 to RM15.4 million for the Financial Year. The administrative expenses mainly consist staff cost, operating leases and depreciation of property, plant and equipment.

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 RM1.0 million (2017: RM1.0 million).

Income Tax Expense

During the Financial Year, the Group recorded income tax expenses of approximately RM0.6 million (2017: RM0.6 million).

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. This subsidiary 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 Group entitled to a tax exemption amount of approximately RM138,000 (2017: RM417,000).

Hong Kong profit tax is calculated on the basis at 8.25% of the estimated assessable profits up to HK$2,000,000 and 16.5% on any part of the estimated assessable profit over HK$2,000,000 for the period (2017: 16.5%).

Loss for the year and Loss per Share

The Group recorded a loss of approximately RM3.9 million for the Financial Year (2017 RM2.2 million). The Group's loss per share for the Financial Year was RM0.4873 sen (2017: RM0.2701 sen).

Liquidity, Financial Resources and Capital Structure

As at 31 December 2018,

(a) the Group's net current assets was approximately RM35.1 million (2017: RM39.8 million) and the Group had cash and bank balance of approximately RM24.2 million (2017: RM37.2 million);

(b) the Group had bank borrowings and finance lease obligations of approximately RM13.6 million (2017: RM20.1 million) and RM2.1 million (2017: RM3.1 million);

(c) the Group's current ratio was approximately 4.7 times (2017: 3.1 times). The gearing ratio is calculated by dividing total debt by total equity at the end of the respective years. The Group's gearing ratio was approximately 34.6% (2017: 47.1%); and

(d) the Group's total equity attributable to owners of the Company amounted to RM45.6 million (2017: RM49.2 million). The capital of the Company mainly comprises share capital and reserves.

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Dividends

The Board does not recommend the payment of a final dividend for the Financial Year (2017: nil).

Significant Investments Held by the Group

As at 31 December 2018 and 2017, there was no significant investment held by the Group.

Material Acquisitions and Disposals of Subsidiaries

During the Financial Year, the Group did not have any material acquisitions and disposals of subsidiaries.

Pledge of Shares by Controlling Shareholder

On 27 November 2017, RLDC Investment Holdings Limited ("**RLDC Investment**"), the Company's controlling shareholder (as such term is defined in the GEM Listing Rules), which is beneficially owned by our executive directors namely Mr. Lee Chooi Seng and Mr. Chin Seng Leong as to 50% and 50% respectively, entered into a loan agreement (the "**Loan Agreement**") with an independent third party in relation to the provision of loan in the principal amount of HK$130,000,000 and pursuant to which RLDC Investment pledged 444,000,000 shares of the Company (the "**Charged Shares**") as security for the Loan Agreement. For further details of the transaction, please refer to the Company's announcement dated 27 November 2017. As at 31 December 2018, the abovementioned controlling shareholders held 232,000,000 shares of the Company, representing 29.0% of the issued shares of the Company. They had ceased to be as controlling shareholders.

Capital Commitments

As at 31 December 2018, the Group did not have any significant capital commitments for purchase of property, plant and equipment (2017: RM83,000).

Pledge of Assets

At the 31 December 2018, certain of the Group's land and buildings with net carrying amount of RM13.5 million (2017: RM13.8 million) 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 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 2018, bank guarantees of RM522,000 of the Group (2017: RM45,000) 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.

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 integrated logistics services 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.

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5. Risk of over dependent on the information technology

The Group's integrated logistics services is highly dependent on information technology and currently uses three systems and one software to manage its customs declaration, operation, payroll and accounting, respectively. Our information systems 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 2018 and 2017, 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 2018, the Group has a total of 195 (2017: 176) full-time employees. The total employee remuneration including remuneration of the Directors for the Financial Year amounted to RM13.9 million (2017: RM13.9 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.

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2018 (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	(a) Further expansion of Malacca & Johor branches	The Group is in progress of hiring more new sales staff to promote and further expand Northern, Southern & Central region markets.
	(b) Establishment of office in Padang Besar, Perlis, Malaysia (Thailand border) and warehouse in Penang	A new sales executive has been hired to further expand the markets in Peninsular Malaysia.
	(c) Additional cost for upgrading requirements of the new offices	The Group is still exploring new business opportunities.
2. Expand the scope of services	(a) Engagement of market research team to conduct research in rail freight services	The Group has conducted market research on an inhouse basis on rail freight, warehousing & distribution in line with the "Belt & Road" initiative. New staff will be hired & to be stationed at Padang Besar, Perlis to expand the scope of services.
	(b) Cost of establishing a small business development team	The Group has taken efforts to intensify market promotion in Malaysia as well as in the international market places through participation in several international conferences and events for better networking & market promotion; The Group has upgraded warehouse with racking system to increase the lettable space for optimum benefits; The Group has upgraded warehouse with loading bay & awning.
	(c) Purchase of warehouse in Padang Besar	The Group is still identifying suitable warehouse.
3. Further strengthen the information technology systems	(a) Software development (Freight Management 3000)	The Group has replaced the Freight Management 3000 and Sysfreight system with a new integrated system Sovy Logistic Solutions.
	(b) Purchase of network equipment	Upgrading of old computer to new one.
	(c) Further improvement of IT function	Hiring of new IT personnel to oversee the IT Department.

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business strategies as stated in the Prospectus	Implementation activities during the Relevant Period as stated in Prospectus	Actual business progress during the Relevant Period
4. Attract and retain talented and experienced employees	(a) Recruitment costs for new talents	New talents were hired to grow the business further. Engagement of an management representative officer to oversee the Group's processes, performance and brand development towards a sustainable business growth.
	(b) Additional recruiting cost for new talents	The Group has hired new talents to further growth of our business.
5. Grow the business strategically through business acquisitions in Singapore	(a) Payment for potential targets	The Group is still exploring for suitable candidate for acquisition in Singapore.
	(b) Consideration for acquisition	The Group is still exploring for suitable candidate for acquisition.

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:

Business strategies as stated in the Prospectus	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
1. Further expand its representative/branch office in major gateways of Malaysia	14.6	2.8
2. Expand the scope of services	4.4	0.5
3. Further strengthen the information technology systems	6.5	2.6
4. Attract and retain talented and experienced employees	0.3	0.3
5. Grow the business strategically through business acquisitions and business collaborations	17.7	—
6. Repay loans	3.4	3.4
7. Working Capital	4.7	4.7
Total	51.6	14.3

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Appreciation

I would like to express my greatest gratitude to the Board, management and staff 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, 22 March 2019

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Lee Chooi Seng ("Mr. Lee"), aged 54, 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 Authorized Representative of the Company under the GEM Listing Rules. He is also a member of the Nomination Committee.

Mr. Lee has over 27 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. He joined the Group on 15 February 2000 as the managing director. 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 46, 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 Authorized Representative of the Company under the GEM Listing Rules.

Mr. Chin has over 19 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.

Ms. Wen Jianping ("Ms. Wen"), aged 29, was appointed as an executive Director on 16 January 2018. She is also a director of a subsidiary of the Company. Ms. Wen has experiences in catering services, catering management, and hotel management. She is currently a general manager of Zhanjiang Tai Run Hotel Limited Limited* (湛江泰潤大酒店有限公司) and Guangxi Bamboo Fuxing Biological Technology Limited* (廣西竹福星生物科技有限公司). From November 2015 to January 2017, Ms. Wen served as a general manager in Guangxi Tai Run Hotel Limited* (廣西泰潤酒店有限公司).

Ms. Tsui Ka Mei ("Ms. Tsui"), aged 25, was appointed as an executive Director on 5 November 2018. She is also a director of certain subsidiaries of the Group. Ms. Tsui has experiences in investment analysis, operations management and online marketing. Ms. Tsui completed her secondary education in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Independent Non-Executive Directors

Mr. Lee Kwok Tung Louis, aged 51, was appointed as an independent non-executive Director on 17 June 2016. He is the chairperson of the Remuneration Committee and a member of the Audit Committee.

Mr. Lee Kwok Tung was admitted as a Certified Practising Accountant of the CPA Australia in June 1996 and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants ("HKICPA") in October 1999 respectively. Mr. Lee Kwok Tung is currently a Fellow Certified Practising Accountant of the CPA Australia and a Fellow Certified Public Accountant of HKICPA. He has possessed over 26 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 (stock code: 1164), WINDMILL Group Limited (stock code: 1850) and Redsun Properties Group Limited (stock code: 1996), all of which are listed on the main board of the Stock Exchange. He is also an independent non-executive director of China Singyes New Materials Holdings Limited (stock code: 8073), a company listed on the GEM of the Stock Exchange. He was independent non-executive director of Winto Group (Holdings) Limited (stock code: 8238) and Zhong Ao Home Group Limited (stock code: 1538), companies listed on the Stock Exchange, for the period from January 2015 to May 2016 and from November 2015 to July 2017 respectively.

Mr. Lee Kwok Tung graduated with a Bachelor of Economics from Macquarie University in Australia in 1992.

Mr. Liew Weng Keat ("Mr. Liew"), aged 43, was appointed as an independent non-executive Director 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. Liew is currently an independent non-executive director of Linocraft Holdings Limited (stock code: 8383), a company listed on the GEM of the Stock Exchange.

Mr. Wong Siu Keung, Joe ("Mr. Wong"), aged 54, was appointed as an independent non-executive Director 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 30 years of experience in accounting, financing, audit field and public listed companies.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Wong is currently an independent non-executive director of Hang Tai Yue Group Holdings Limited whose shares are listed on GEM of the Stock Exchange (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.

Senior Management

Ms. Lee Li Ngut ("Ms. Lee"), aged 44, 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 17 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 50, was re-designated as the vice president of operations of the Group and director of Freight Transport Network Sdn. Bhd. ("**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.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Lee Kim Seong, aged 35, 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 10 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 35, 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 12 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**"). Throughout the Financial Year, save for the deviation from E.1.2 and A.6.7 of the CG Code as explained below, the Company has complied with all applicable code provisions as set out in the CG Code.

During the Financial Year, the Company had formulated Nomination Policy and Dividend Policy to correspond to the amendment to the provisions of the CG Code (the "**Revised CG Code**") which came into effect on 1 January 2019. The Nomination Policy aims to lay down procedures for the appointment of new members of the Board and the Dividend Policy which sets out the principles for the Board to consider before making any dividend distribution.

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 Financial Year.

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;

CORPORATE GOVERNANCE REPORT (CONTINUED)

- 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 "**NEDs**") (including independent non-executive Directors (the "**INED(s)**")) so that there is an independent element on the Board, which can effectively exercise independent judgment, and that non-executive Directors 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 seven Directors:

Executive Directors

Mr. Lee Chooi Seng, *Chairman*
Mr. Chin Seng Leong, *CEO*
Ms. Wen Jianping
Ms. Tsui Ka Mei

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, Ms. Wen Jianping, Ms. Tsui Ka Mei, Mr. Lee Kwok Tung Louis, Mr. Liew Weng Keat and Mr. Wong Siu Keung Joe had participated in continuous professional development by attending seminars/training and program/reading materials.

Meetings of Board and Directors' Attendance Records

During the Financial Year, the Board held 10 meetings, at which the Directors discussed and approved, amongst other matters, (i) the Group's consolidated results for the year ended 31 December 2017, the three months ended 31 March 2018, the six months ended 30 June 2018 and the nine months ended 30 September 2018; (ii) the risk management and internal control systems of the Group (the "**Risk Management and Internal Control Systems**"); (iii) the environmental, Social and Governance Report (the "**ESG Report**"); (iv) appointment of directors; (v) adoptions of dividend policy and nomination policy; and (vi) 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The attendance of each Director at the Board Meeting during the Financial Year is as follows:

Name of Directors	Board meeting attended/ Eligible to attend
Executive Directors	
Mr. Lee Chooi Seng *(Chairman)*	9/10
Mr. Chin Seng Leong	10/10
Ms. Wen Jianping	0/10
Ms. Tsui Ka Mei	4/4
Non-executive Director	
Dato' Tan Yee Boon	1/2
Independent Non-executive Directors	
Mr. Lee Kwok Tung Louis	9/10
Mr. Liew Weng Keat	10/10
Mr. Wong Siu Keung Joe	10/10

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

During the Financial Year, an annual general meeting of the Company was held on 11 May 2018 (the "**2017 AGM**").

The attendance of each Director at the 2017 AGM is as follows:

Name of Directors	Board meeting attended/ Eligible to attend
Executive Directors	
Mr. Lee Chooi Seng *(Chairman)*	0/1
Mr. Chin Seng Leong	1/1
Ms. Wen Jianping	0/1
Ms. Tsui Ka Mei	0/0
Non-executive Director	
Dato' Tan Yee Boon	0/1
Independent Non-executive Directors	
Mr. Lee Kwok Tung Louis	1/1
Mr. Liew Weng Keat	1/1
Mr. Wong Siu Keung Joe	1/1

Pursuant to code provision E.1.2 of the CG Code, the chairman of the Board (the "**Chairman**") should attend the annual general meeting. However, Mr. Lee Chooi Seng, being the Chairman, was unable to attend the 2017 AGM due to his other prior engagement. Mr. Lee invited Mr. Chin Seng Leong, an executive Director and chief executive officer to chair and answer questions from Shareholders at the 2017 AGM.

Pursuant to code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meeting. However, Dato' Tan Yee Boon ("**Dato' Tan**"), the non-executive director, was unable to attend the 2017 AGM due to his other prior engagement. Dato' Tan Yee Boon had retired upon the conclusion of the 2017 AGM.

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 former 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 non-competition undertaking will cease to have any effect upon the earliest of the date on which such Covenantor, being a Controlling Shareholder, individually or collectively with any other Covenantor(s) ceases to be interested, directly or indirectly, in 30% or more of the issued Shares, or otherwise ceased to be regarded as controlling shareholder (as defined under the GEM Listing Rules from time to time) of the Company. On 10 December 2018, the above Controlling Shareholders held 232,000,000 shares of the Company, representing 29.0% of the issued shares of the Company. They had ceased to be as the Controlling Shareholders and the obligations of the above Controlling Shareholders under the deed of non-competition were released on 10 December 2018.

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 for the period from 1 January 2018 to 10 December 2018.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 for the period from 1 January 2018 to 10 December 2018.

Board Diversity Policy

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 retired non-executive Director had entered into a service agreement with the Company for a period of three years commencing on 6 July 2016 and shall continue thereafter unless and until terminated by either party giving to the other not less than three months' notice in writing.

Each of the INEDs has a fixed term of appointment for a period of one year commencing on 17 June 2018, subject to retirement by rotation and re-election at AGM in accordance with the articles of association of the Company (the "**Articles**").

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. Wong Siu Keung, Joe ("**Mr. Wong**"), Mr. Liew Weng Keat and Mr. Lee Kwok Tung Louis. Mr. Wong is the chairman of the Audit Committee.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Under the Revised CG Code, the cooling off period of appointing a former partner of the Company's auditor to be an independent non-executive director is extended from one year to two years. The Company made corresponding amendment to its terms of reference of Audit Committee during the Financial Year which was considered and approved by the Board.

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 staff responsible for the accounting and financial reporting function, compliance officer or auditor.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 Financial Year, the Audit Committee held 5 meetings, at which the Audit Committee reviewed and discussed (i) the Group's consolidated results for the year ended 31 December 2017, the three months ended 31 March 2018, the six months ended 30 June 2018 and the nine months ended 30 September 2018; (ii) Risk Management and Internal Control Systems; and (iii) the revised terms of reference.

The attendance of each member at the Audit Committee Meeting during the Financial Year is as follows:

Name of Directors	Number of attendance/ number of meetings
Mr. Lee Kwok Tung Louis	5/5
Mr. Liew Weng Keat	5/5
Mr. Wong Siu Keung Joe	5/5

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 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 non-executive Directors;
- 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.

During the Financial Year, the Remuneration Committee held 3 meetings, at which the Remuneration Committee reviewed and discussed the remuneration packages for new appointed Directors, individual executive Directors and senior management and making recommendations to the Board.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The attendance of each member at the Remuneration Committee Meeting during the Financial Year 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

Nomination Committee

The Company established the Nomination Committee on 17 June 2016. The Nomination Committee comprises one executive Director and two INED, namely Lee Chooi Seng, Wong Siu Keung Joe and Mr. Liew Weng Keat. 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 and Nomination Policy as appropriate; monitoring the implementation of the Board Diversity Policy and reviewing the measurable objectives set by the Board for implementing the 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.

During the Financial Year, the Company has formulated the Nomination Policy which aims to lay down procedures for the appointment of new members of the Board to ensure balance of the Board in skill, experience and diversity in perspectives and satisfy the business requirement of the Company.

When selecting new directors or filling casual vacancies, the Nomination Committee will consider the candidate's professional qualification and skill, integrity and reputation, achievement and experience in the industry in which the Company operates, and his/her time commitment. The committee will nominate candidate it considers appropriate with reference to the benchmark of the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skill, knowledge and lengths of service, etc.

CORPORATE GOVERNANCE REPORT (CONTINUED)

According to the nomination procedures of the Nomination Policy, the Nomination Committee will convene a meeting and invite Board members to nominate candidates. Suitable candidates will then be submitted to the Board for consideration and approval. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. The Company will send a circular to the shareholders which will contain information of the directors to be re-elected for shareholders' reference in relation to their voting as required by Rule 17.50(2) of the GEM Listing Rules.

Under the Revised CG Code, where the Board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out relevant content in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting. The Company made corresponding amendment to its terms of reference of Nomination Committee during the Financial Year which was considered and approved by the Board.

During the Financial Year, the Nomination Committee held 4 meetings, at which the Nomination Committee reviewed and discussed (i) the appointment of new directors and recommended to the Board their appointments; (ii) the structure, size and composition of the Board; (iii) the independence of the INEDs, (iv) the Board Diversity Policy and the revised terms of reference; and (v) the re-appointment of all the retiring Directors at the AGM and recommended to the Board their re-appointments.

The attendance of each member at the Nomination Committee Meeting during the Financial Year is as follows:

Name of Directors	Number of attendance/ number of meetings
Mr. Lee Chooi Seng	4/4
Mr. Liew Weng Keat	4/4
Mr. Wong Siu Keung Joe	4/4

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 Limited (the "**BDO**") was engaged as the Group's independent auditors. Apart from the provision of annual audit services, BDO also provided the non-audit services in relation to the taxation service.

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	600,000
Non-audit services — Taxation service	33,900

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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:

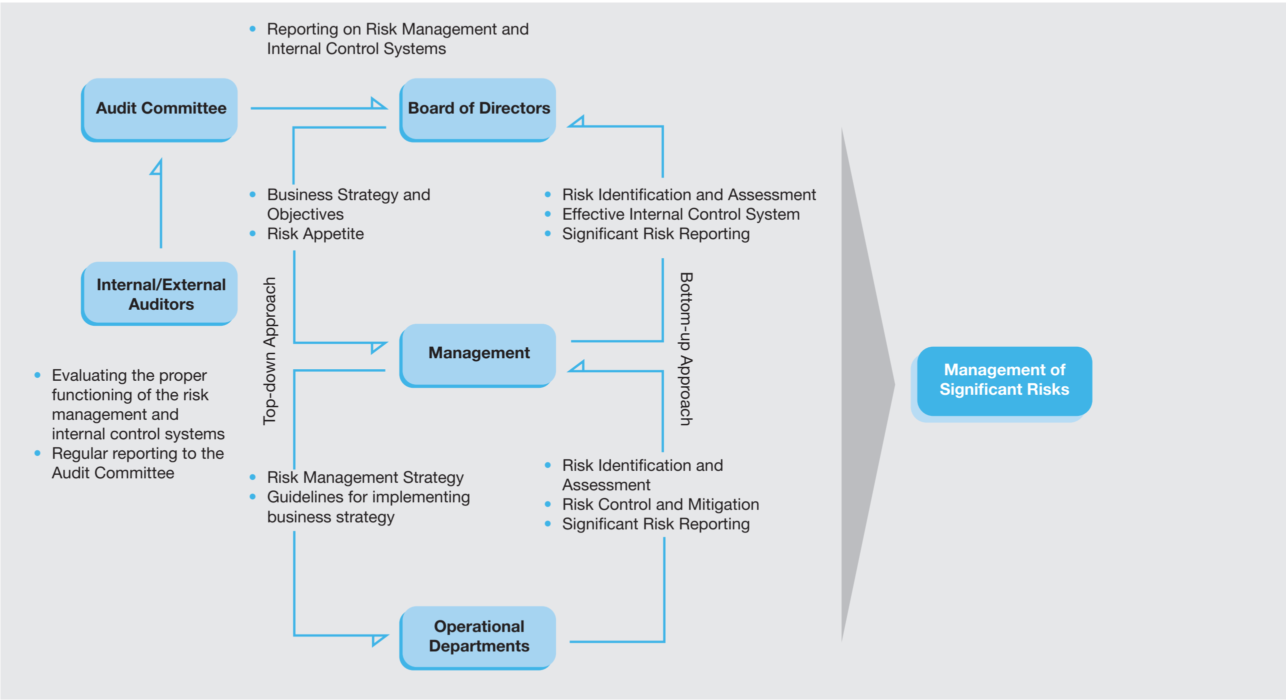
- segregating duties and functions of the respective operational departments of the Group;
- reviewing systems and procedures to identify, measure, manage and control risks; and
- updating the staff handbook, internal control manual and compliance manual where there are changes to business environment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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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 Articles, any one or more Shareholder 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 meeting 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, announcement, circulars as well as all the disclosures submitted to the respective websites of GEM and the Company.

Dividend Policy

In accordance with the Revised CG Code, the Company formulated the Dividend Policy to set out the principles for the Board to consider before making any dividend distribution. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, included but not limited to: (i) the general financial condition of the Group; (ii) working capital and debt level of the Group; (iii) future cash requirements and availability for business operations, business strategies and future development needs; (iv) any restrictions on payment of dividends that may be imposed by the Group's lenders; (v) the general market conditions; and (vi) any other factors that the Board deems appropriate.

After considering the plan and proposal of the management, the Board may, at its discretion, propose or decide to distribute interim dividends. Final dividends shall be proposed to the shareholders for approval.

Constitutional Documents

During the Financial Year, there were no changes in the constitutional documents of the Company. The amended and restated memorandum and articles of association of the Company 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.

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. During the year, we have commenced a new business of trading of used mobile phones in Hong Kong. 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 2018 are set forth in the consolidated financial statements on pages 49 to 109 of this annual report.

Final Dividend

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

Financial Summary

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements of the Group or the Prospectus, is set out on page 110 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 plant and equipment of the Group during the Financial Year are set out in note 17 to the consolidated financial statements.

Properties

The Group did not hold any major property for development and/or sale or for investment purpose as at 31 December 2018.

REPORT OF THE DIRECTORS (CONTINUED)

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 2018, the Company's reserves available for distribution to the Shareholders comprising (share premium, other reserve and accumulated losses amounted to approximately RM40.4 million. Details of the Company's distributable reserves as at 31 December 2018 are set out in note 25 to the consolidated financial statements.

Charitable Contributions

During the Financial Year, the Group made charitable contributions approximately RM68,000.

Share Option Scheme

The Company has adopted the share option scheme ("**Share Option Scheme**"), which was approved 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 2018, 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.

REPORT OF THE DIRECTORS (CONTINUED)

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

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 19.88% of the Group's cost of sales and the largest supplier accounted for about 5.77% of the cost of sales.

During the Financial Year, the five largest customers of the Group accounted for about 32.0% of the Group's total revenue and the largest customer accounted for about 10.20% 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 the 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 2018 containing all information required by the GEM Listing Rules will be published on the respective websites of GEM and the Company in due course.

REPORT OF THE DIRECTORS (CONTINUED)

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.

REPORT OF THE DIRECTORS (CONTINUED)

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 Financial Year and up to the date of this report were:

Executive Directors

Mr. Lee Chooi Seng, *Chairman*
Mr. Chin Seng Leong, *CEO*
Ms. Wen Jianping *(appointed on 16 January 2018)*
Ms. Tsui Ka Mei *(appointed on 5 November 2018)*

Non-executive Director

Dato' Tan Yee Boon *(retired on 11 May 2018)*

Independent Non-executive Directors

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

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.

Ms. Tsui Ka Mei will retire from office and, being eligible, offer herself for re-election at the forthcoming AGM.

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.

Mr. Chin Seng Leong and Mr. Lee Kwok Tung Louis will retire at the AGM and all of them, being eligible, will offer themselves for re-election at the AGM.

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

Mr. Lee Chooi Seng and Mr. Chin Seng Leong have entered into a service agreement with the Company for a period of three years commencing on 6 July 2016; Ms. Tsui Ka Mei has entered into a service agreement with the company for an initial fixed term of one year commencing from the date of agreement. These agreements shall continue thereafter unless and until terminated by either party giving to the other not less than three months’ notice in writing. Ms. Wan Jianping did not enter into any service agreement with the Company.

Each of the INEDs has a fixed term of appointment for a period of one year commencing on 17 June 2018 and shall continue for a term of one year and until terminated by either party giving to the other not less than three months’ notice in writing, subject to retirement by rotation and re-election at AGM in accordance with the Articles.

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 2018, 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)	232,000,000 (L)	29.00%
Mr. Chin Seng Leong ("**Mr. Chin**")	Interest in controlled corporation(2)	232,000,000 (L)	29.00%
Ms. Wen Jianping	Beneficial owner	10,000,000 (L)	1.25%

Notes:

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

(2) The entire issued share capital of 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 2018, 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 2018, 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	232,000,000 (L)	29.00%
Mrs. Ng Yee Hoong	Family interest[2]	232,000,000 (L)	29.00%
Mrs. Dorothy Yeo Mong Yee	Family interest[3]	232,000,000 (L)	29.00%
JL Investments Capital Limited	Person having a security interest in shares	232,000,000 (L)	29.00%
Mr. Lau Chi Yuen, Joseph	Interest in controlled corporation[4]	232,000,000 (L)	29.00%
Mr. Choi Ming Hei	Interest in controlled corporation[5]	137,000,000 (L)	17.13%
World Oasis Limited	Beneficial owner[5]	137,000,000 (L)	17.13%
Walgan Investment Limited ("**Walgan Investment**")	Interest in controlled corporation[6]	85,470,000 (L)	10.68%
Mr. Gan Ker Wei ("**Mr. Gan**")	Interest in controlled corporation[6]	85,470,000 (L)	10.68%
Mrs. Ong Amy Lai Fong	Family interest[7]	85,470,000 (L)	10.68%
Upright Plan Limited ("**Upright Plan**")	Beneficial owner	47,570,000 (L)	5.95%

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 JL Investments Capital Limited is legally and beneficially owned by Mr. Lau Chi Yuen, Joseph.

(5) Mr. Choi Ming Hei owns 100% in World Oasis Limited and is therefore deemed to be interested in all of the Shares held by World Oasis Limited by virtue of the SFO.

(6) The entire issued share capital of Upright Plan is legally and beneficially owned by Walgan Investment which in turn is held by Mr. Gan. Furthermore, Walgan Investment owns 40% in Champion Ascent Limited which owns 37,900,000 shares in the Company.

(7) 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 by virtue of the SFO.

Save as disclosed above, as at 31 December 2018, 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.

REPORT OF THE DIRECTORS (CONTINUED)

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 Financial Year 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 period from 1 January 2018 to 10 December 2018.

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 2018, 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 Transactions" 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.

REPORT OF THE DIRECTORS (CONTINUED)

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 2018 and up to the date of this report.

Independent Auditor

The consolidated financial statements for the Financial Year were audited by BDO, the independent auditors, who shall retire and, being eligible, offer itself 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, 22 March 2019

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 49 to 109, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018 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 judgment, 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Impairment assessment on property, plant and equipment

As at 31 December 2018, the carrying value of the Group's property, plant and equipment, before impairment assessment, amounted to RM24,519,000. The Group sustained a loss for the current year and accordingly management considered that there were indicators of impairment of the Group's property, plant and equipment.

In carrying out the impairment review, management has concluded that there is no impairment in respect of the property, plant and equipment. This conclusion was based on a value in use model that required significant management judgement with respect to the discount rate and underlying cash flows, in particular future revenue growth.

We have identified impairment assessment of property, plant and equipment as a key audit matter due to considerable amount of judgement and estimation being required in conducting impairment assessment as mentioned in the foregoing paragraph.

Refer to summary of significant accounting policies in Note 4(c), critical accounting estimates and judgements in Note 5(iii) and disclosure of property, plant and equipment in Note 17 to the consolidated financial statements.

Our response:

Our procedures in relation to management's impairment assessment on property, plant and equipment included:

— Assessing management's identification of cash generating units based on the Group's accounting policies and our understanding of the Group's businesses;

— Assessing the value-in-use calculation methodology adopted by management;

— Evaluating the reasonableness of the operating cash flows forecast and challenging the key assumptions used in cash generating unit, including evaluating the reasonableness of the budgeted revenue, budgeted gross margins, expected growth rate with reference to the past performance and management's expectation, and evaluating the suitability of the discount rate used; and

— Reconciling input data to supporting evidence and considering the reasonableness of input data being used.

Provision for expected credit losses on trade receivables

As at 31 December 2018, the Group's trade receivables amounted to RM18,333,000 as set out in Note 18 of the consolidated statement of financial position. No impairment provision has been made over the trade receivables.

In determining the loss allowance for trade receivables, the Group measures the expected credit losses ("ECLs") at an amount equal to lifetime ECLs, which is calculated using a provision matrix. Management estimated the level of expected losses, with reference to historical observed default rate, and forward-looking economic factors using the simplified approach under HKFRS 9 that calculates ECLs based on lifetime ECLs. The Group applied the practical expedient to estimates the ECLs based on a provision matrix for trade receivables of the Group.

We have identified impairment assessment of trade receivables as a key audit matter due to considerable amount of judgment and estimates being used by the Group in assessing the ECLs as mentioned in the forgoing paragraph.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Our response:

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

— 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 the customers;

— Testing controls on a sample basis over the billing and collection cycle;

— 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;

— Assessing the appropriateness of the credit loss provision methodology throughout the Group;

— Challenging the information used to determine the expected credit losses by considering cash collection performance against historical trends and the level of credit loss charges over time; and

— Reviewing minutes of the board of directors' meetings relating to the recoverability of trade receivables.

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 the 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 HKFRSs 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 judgment 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 the 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, 22 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RM'000	2017 RM'000
Revenue	7	**74,278**	96,442
Cost of sales		**(62,060)**	(81,387)
Gross profit		**12,218**	15,055
Other revenue	8	**820**	422
Administrative expenses		**(15,407)**	(16,028)
Finance costs	14	**(966)**	(1,033)
Loss before income tax expense	9	**(3,335)**	(1,584)
Income tax expense	15	**(563)**	(577)
Loss for the year attributable to owners of the Company		**(3,898)**	(2,161)
Other comprehensive income/loss:			
Items that may be reclassified subsequently to profit or loss			
— Exchange differences on translating foreign operations		**342**	(2,311)
Total comprehensive loss for the year attributable to owners of the Company		**(3,556)**	(4,472)
		RM	RM
Loss per share			
Basic and diluted loss per share	16	**(0.4873 sen)**	(0.2701 sen)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RM'000	2017 RM'000
Non-current assets			
Property, plant and equipment	*17*	**24,519**	23,412
Prepayment for acquisition of property, plant and equipment		**—**	956
Total non-current assets		**24,519**	24,368
Current assets			
Trade and other receivables	*18*	**19,597**	20,640
Tax recoverable		**847**	713
Cash and bank balances		**24,184**	37,158
Total current assets		**44,628**	58,511
Current liabilities			
Trade and other payables	*19*	**6,869**	9,743
Contract liabilities	*20*	**155**	—
Bank borrowings, secured	*21*	**1,534**	7,074
Tax payables		**50**	165
Finance lease obligations	*23*	**939**	1,778
Total current liabilities		**9,547**	18,760
Net current assets		**35,081**	39,751
Total assets less current liabilities		**59,600**	64,119
Non-current liabilities			
Deferred tax liabilities	*22*	**706**	647
Bank borrowings, secured	*21*	**12,114**	12,981
Finance lease obligations	*23*	**1,182**	1,337
Total non-current liabilities		**14,002**	14,965
Net assets		**45,598**	49,154

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2018

	Notes	2018 RM'000	2017 RM'000
Capital and reserves			
Share capital	*24*	**4,154**	4,154
Reserves	*25*	**41,444**	45,000
Total equity		**45,598**	49,154

The consolidated financial statements on pages 49 to 109 were approved and authorised for issue by the board of directors on 22 March 2019.

Lee Chooi Seng
Director

Chin Seng Leong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

		Reserves				
	Share capital *(Note 24)* RM'000	**Share premium** RM'000	**Merger reserve** RM'000	**Exchange reserve** RM'000	**(Accumulated losses)/ retained earnings** RM'000	**Total** RM'000
Balance at 1 January 2017	4,154	29,425	16,972	1,747	1,328	53,626
Loss for the year	—	—	—	—	(2,161)	(2,161)
Other comprehensive loss	—	—	—	(2,311)	—	(2,311)
Total comprehensive loss	—	—	—	(2,311)	(2,161)	(4,472)
Balance at 31 December 2017 and 1 January 2018	4,154	29,425	16,972	(564)	(833)	49,154
Loss for the year	—	—	—	—	(3,898)	(3,898)
Other comprehensive income	—	—	—	342	—	342
Total comprehensive loss	—	—	—	342	(3,898)	(3,556)
Balance at 31 December 2018	4,154	29,425	16,972	(222)	(4,731)	45,598

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 RM'000	2017 RM'000
Cash flows from operating activities			
Loss before income tax		**(3,335)**	(1,584)
Adjustments for:			
Depreciation of property, plant and equipment		**2,542**	2,281
(Gain)/loss on disposal of property, plant and equipment, net		**(14)**	46
Unrealised (gain)/loss on foreign exchange		**(56)**	293
Write-off of financial assets		**24**	90
Interest income	*8*	**(291)**	(279)
Finance costs	*14*	**966**	1,033
Operating (loss)/profit before working capital changes		**(164)**	1,880
Decrease in trade and other receivables		**1,029**	14,329
Decrease in trade and other payables		**(2,849)**	(10,009)
Increase in contract liabilities		**155**	—
Cash (used in)/generated from operations		**(1,829)**	6,200
Interest paid		**(88)**	(73)
Income taxes paid		**(753)**	(468)
Net cash (used in)/generated from operating activities		**(2,670)**	5,659
Cash flows from investing activities			
Purchases of property, plant and equipment		**(1,734)**	(758)
Proceeds from disposal of property, plant and equipment		**39**	116
Increase in prepayment for acquisition of property, Plant and equipment		**—**	(539)
Interest received		**291**	279
Net cash used in investing activities		**(1,404)**	(902)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2018

	Notes	2018 RM'000	2017 RM'000
Cash flows from financing activities			
Repayment of bank borrowings		**(835)**	(807)
Interest paid on bank borrowings		**(726)**	(739)
Interest paid on finance lease		**(152)**	(221)
Capital element of finance lease rental payments		**(1,978)**	(1,801)
Net cash used in financing activities		**(3,691)**	(3,568)
Net (decrease)/increase in cash and cash equivalents		**(7,765)**	1,189
Effects of exchange rate changes on cash and cash equivalents		**363**	(2,566)
Cash and cash equivalents at beginning of year		**30,934**	32,311
Cash and cash equivalents at end of year	*36*	**23,532**	30,934

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

The consolidated financial statements for the year ended 31 December 2018 were approved and authorised for issue by the directors on 22 March 2019.

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2018

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The adoption of these amendments has no impact on these consolidated financial statements as the periods to which the transition provision exemptions related have passed.

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these consolidated financial statements as the Group is not a venture capital organisation.

Amendments to HKFRS 2 — Classification and Measurement of Share-Based Payment Transactions

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.

The adoption of these amendments has no impact on these consolidated financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

HKFRS 9—Financial Instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

(i) Classification and measurement of financial instruments

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("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. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 9—Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

— It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

— The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

The Group's financial assets including trade receivables and other receivables and cash and bank balances are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The Group did not designate or de-designate any financial assets or financial liabilities at FVTPL at 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 9—Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39 HK$	Carrying amount as at 1 January 2018 under HKFRS 9 HK$
Trade and other receivables (excluding prepayments and deposits)	Loans and receivables	Amortised cost	20,206	20,206
Cash and bank balances	Loans and receivables	Amortised cost	37,158	37,158

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognised ECL for trade and other receivables at amortised costs earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 9—Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

For other debt financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's debt investment at FVOCI are considered to have low credit risk since the issuers' credit rating are high.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due unless the Group has reasonable and supportable information that demonstrate otherwise.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 1 year past due. The Group has rebutted the presumption that the default does not occur later than when the financial asset is 90 days past due based on reasonable and supportable information that a more lagging default criteria is more appropriate.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

(a) Impairment of trade receivables

The Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the number of days past due. No additional impairment for trade receivables as at 1 January 2018 is recognised as the amount of additional impairment measured under the ECLs model is immaterial.

(b) Impairment of other receivables

For all other receivables, the Group measures the loss allowance equal to 12-month ECLs and there had been no significant increase in credit risk since initial recognition. No additional impairment for other receivables as at 1 January 2018 as the expected credit loss is immaterial.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 9—Financial Instruments (Continued)

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

— The determination of the business model within which a financial asset is held.

HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. As a result, the financial information presented for 2017 has not been restated.

The application of HKFRS 15 has had no material impact on the timing and amounts of revenue recognised during the year ended 31 December 2018 and on retained earnings and other components of equity as at 1 January 2018 in the consolidated financial statements. The directors are of the view that the Group's outputs are expected on a proportionate basis to measure the progress of satisfying the performance obligation in rendering the services to customers with reference to the Group's typical contracts.

Under HKAS 18, the Group recorded the receipts in advance from freight forwarding and related services under "Trade and other payables". Such balances were reclassified from trade and other payables to contract liabilities upon the adoption of HKFRS 15 as at 1 January 2018.

The following tables summarised the impact of adopting HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018. There was no material impact on the Group's consolidated statements of comprehensive income and consolidated statement of cash flows for the year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (Continued)

Impact on the consolidated statement of financial position as of 31 December 2018 ((increase)/decrease):

	RM'000
Current liabilities	
Contract liabilities	(155)
Trade and other payables	155
Total current liabilities	—

Details of the new significant accounting policies in relation to the Group's various goods and services are set out in Note 4(g).

Amendments HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)

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

The adoption of these amendments has no impact on these consolidated financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first year.

HK(IFRIC)-Int 22 — Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no significant impact on these consolidated financial statements as the Group has not paid or received advance consideration in a foreign currency.

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

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

The following new/revised HKFRSs, potentially relevant to the Group's consolidated 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.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. the effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.
4 Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

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

HKFRS 16 — Leases (Continued)

The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application.

The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets of approximately RM1,250,000 and lease liabilities of approximately RM1,270,000 will be recognised at 1 January 2019 with a corresponding adjustment to the opening balance of retained earnings.

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9—Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

Amendments to HKAS 28 — Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

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

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

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

HKFRS 17 — Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the consolidated financial statements of the issuers of those contracts.

Amendments to HKFRS 10 and HKAS 28—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKFRS 3 — Definition of a Business

The amendments improve the definition of a business. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance.

Distinguishing between a business and a group of assets is important because an acquirer recognises goodwill only when acquiring a business.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

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

Amendments to HKAS 1 and HKAS 8 — Definition of Material

The amendments clarify the definition of material to make it easier for entities to make materiality judgements. The definition of material, an important accounting concept in HKFRS Standards, helps entities decide whether information should be included in their consolidated financial statements.

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 consolidated financial statements.

3. Basis of Preparation

The consolidated 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 consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

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

The functional currency of the Company is Hong Kong dollars ("HK$"), while the consolidated 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.

4. Summary of Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "Group"). 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.

(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 (Note 27), 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
Computer	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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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) Financial Instruments

Accounting policies applied from 1 January 2018

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

4. Summary of Significant Accounting Policies (Continued)

(e) Financial Instruments (Continued)

Accounting policies applied from 1 January 2018 (Continued)

(ii) Impairment loss on financial assets (Continued)

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due unless the Group has reasonable and supportable information that demonstrate otherwise.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 1 year past due. The Group has rebutted the presumption that the default does not occur later than when the financial asset is 90 days past due based on reasonable and supportable information that a more lagging default criteria is more appropriate.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

<u>Financial liabilities at amortised cost</u>

Financial liabilities at amortised cost including trade and other payables and borrowings 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. Summary of Significant Accounting Policies (Continued)

(e) Financial Instruments (Continued)

Accounting policies applied from 1 January 2018 (Continued)

(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) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (a) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in (ii) above; and (b) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

(vii) 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 HKFRS 9.

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

Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(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 that are not classified as financial assets at fair value through profit and loss. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. Summary of Significant Accounting Policies (Continued)

(e) Financial Instruments (Continued)

Accounting policies applied until 31 December 2017 (Continued)

(i) Financial assets (Continued)

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.

(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 and bank borrowings and 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. Summary of Significant Accounting Policies (Continued)

(e) Financial Instruments (Continued)

Accounting policies applied until 31 December 2017 (Continued)

(v) Equity instruments

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

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

(vii) 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.

(f) Contract assets and contract liabilities

Accounting policies applied from 1 January 2018

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

(g) Revenue recognition

Accounting policies applied from 1 January 2018

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. Summary of Significant Accounting Policies (Continued)

(g) Revenue recognition (Continued)

Accounting policies applied from 1 January 2018 (Continued)

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

— provides all of the benefits received and consumed simultaneously by the customer;

— creates or enhances an asset that the customer controls as the Group performs; or

— does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

The Group has adopted the following accounting policies on revenues:

(i) Freight forwarding and related services

The service income is recognised overtime as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. The Group recognises the service fee receivable based on an output method. There is generally only one performance obligation. Invoices are issued when service is provided and the credit term 30–60 days is granted to the customers.

(ii) Trucking and warehouse and related services

The Group provides truck and warehouse and related service to customers. Revenue is recognised over time as those services are rendered to the customers. There is generally only one performance obligation. Invoices are issued when service is provided and the credit term 30–60 days is granted to the customers.

(iii) Sales of used mobile phones

Sales are recognised at a point of time when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion right to direct the goods and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and generally the customer has accepted the products in accordance with the sales contract. Invoices are issued when goods is delivered and the credit term 90 days is granted to the customers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. Summary of Significant Accounting Policies (Continued)

(g) Revenue recognition (Continued)

Accounting policies applied from 1 January 2018 (Continued)

The Group has adopted the following accounting policies on revenues: (Continued)

(iv) Interest income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group considered itself as the principal in the contracts with customers as it controls the good or service before the service is transferred to a customer.

Accounting policies applied until 31 December 2017

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 date of arrival 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. Summary of Significant Accounting Policies (Continued)

(h) Income tax (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. Summary of Significant Accounting Policies (Continued)

(j) Employee benefits (Continued)

(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.

(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.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(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 of the Company for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

4. Summary of Significant Accounting Policies (Continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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) Revenue from contracts with customers

The Group applied judgement on determining the timing of satisfaction of services that significantly affect the determination of the amount and timing of revenue from contracts with customers.

The Group concluded that revenue for services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the service that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

The Group determined that the output method is the best method in measuring the progress of the services. The Group is required to exercise judgement in revenue recognition particularly in the measurement of the value of services transferred to the customers to date relative to the remaining services promised under the contract.

(ii) 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.

(iii) Impairment of property, plant and equipment

In determining whether an item of property, plant and equipment is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset or a CGU can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or CGU, or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

5. Accounting Estimates and Judgements (Continued)

(iv) Provision on ECL for trade and other receivables

The Group uses provision matrix to calculate ECL for the trade and other receivables. The expected loss rates are based on actual loss experience over the past 3 years as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and other receivables are disclosed in Note 34(a).

(v) 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 and its subsidiaries recognises liabilities for expected tax issues based on estimation. 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.

(vi) 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 in accordance with the other terms and conditions provided in the loan agreements. 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 the terms and conditions as stated in respective bank loan agreements without taking account of the repayment on demand clauses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

6. Segment Reporting

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has two reportable segments. The segments are managed separately because each segment offers different products and services and requires different strategies. The following summary describes the operations in each of the Group's reportable segments:

Revenue from contracts with customers within the scope of HKFRS 15:

	2018 RM'000	2017 RM'000
Freight forwarding and related services	71,797	96,442
Trading of used mobile phones	2,481	—
	74,278	96,442

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11.

During the year, the board of directors of the Company has decided to expand the Group's provision of freight forwarding in Malaysia (country of domicile) and related services business into sales of used mobile phones in Hong Kong. The purpose of the expansion is to capture business and investment opportunities on a timely basis. Accordingly, the logistic services and trading business are designated by the board of directors as principal activities of the Group and they are separately reviewed and evaluated for management reporting purpose.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment loss, which is measure of adjusted loss before taxation. The adjusted loss before taxation is measured consistently with the Group's loss before taxation except that interest income as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

6. Segment Reporting (Continued)

(a) Reportable segments (Continued)

For the year ended 31 December:

	Freight forwarding and related services		Trading of used mobile phones		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Revenue from external customers	**71,797**	96,442	**2,481**	—	**74,278**	96,442
Reportable segment profit	**445**	2,449	**96**	—	**541**	2,449
Interest income	**291**	279	**—**	—	**291**	279
Finance costs	**(966)**	(1,033)	**—**	—	**(966)**	(1,033)
Depreciation of property, plant and equipment						
— allocated	**(2,529)**	(2,254)	**—**	—	**(2,529)**	(2,254)
— unallocated	**(13)**	(27)	**—**	—	**(13)**	(27)
					(2,542)	(2,281)
Taxation	**(547)**	(577)	**(16)**	—	**(563)**	(577)
Reportable segment assets	**53,471**	64,342	**2,507**	—	**55,978**	64,342
Additions to non-current assets	**3,674**	1,885	**—**	—	**3,674**	1,885
Reportable segment liabilities	**22,733**	33,501	**38**	—	**22,771**	33,501

No inter-segment revenue during the year (2017: Nil)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

6. Segment Reporting (Continued)

(a) Reportable segments (Continued)

For the year ended 31 December:

Reconciliation of reportable segment profit or loss, assets and liabilities:

	2018 RM'000	2017 RM'000
Profit or loss		
Reportable segment profit	**541**	2,449
Depreciation of property, plant and equipment	**(13)**	(27)
Unallocated head office and corporate expenses	**(3,863)**	(4,006)
Consolidated profit before income tax expense	**(3,335)**	(1,584)

	2018 RM'000	2017 RM'000
Assets		
Reportable segment assets	**55,978**	64,342
Unallocated cash and cash equivalents	**13,043**	18,285
Unallocated corporate assets	**126**	252
Consolidated total assets	**69,147**	82,879

	2018 RM'000	2017 RM'000
Liabilities		
Reportable segment liabilities	**22,771**	33,501
Unallocated corporate liabilities	**778**	224
Consolidated total liabilities	**23,549**	33,725

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

6. Segment Reporting (Continued)

(b) Geographic information

Information about the Group's revenue from external customers is presented based on the location of the operation. For revenue from cross-border transportation services, it is presented based on the location where the contract is negotiated and effected.

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("Specified non-current assets").

	Revenue from external customers		Specified non-current assets	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Malaysia (place of domicile)	**71,797**	96,442	**24,519**	24,355
The People's Republic of China ("PRC"), including Hong Kong	**2,481**	–	**–**	13
Total	**74,278**	96,442	**24,519**	24,368

Apart from revenue from external customers from sales of mobile phones of RM2,481,000 for the year ended 31 December 2018 were derived from the PRC. The remaining revenue from external customers were generated from freight forwarding and related services in respective countries as above.

(c) Information about major customers

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

	2018	2017
	RM'000	RM'000
Customer I	**N/A** *Note 1*	34,053
Customer II	**7,577**	N/A *Note 1*

Note 1: The corresponding revenue did not contribute over 10% of the total revenue of the Group for the respective period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

7. Revenue

An analysis of revenue from contracts with customers are as follows:

	2018 RM'000	2017 RM'000
Services under freight forwarding and related services segment		
being transferred over time:		
Air freight forwarding and related services	32,616	55,488
Sea freight forwarding and related services	34,427	36,032
Trucking and warehouse and related services	4,754	4,922
	71,797	96,442
Goods under trading of used mobile phone segment		
being transferred at a point of time:		
Sales of used mobile phones	2,481	—
Total revenue from contracts with customers	74,278	96,442

The contract liabilities were expected to be recognised as revenue in the next 12 months. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts which have an original expected duration of one year or less is not disclosed.

8. Other Revenue

	2018 RM'000	2017 RM'000
Interest income from bank deposits	291	279
Gain on foreign exchange:		
— realised gain	345	—
— unrealised gain	56	—
Others	128	143
	820	422

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

9. Loss Before Income Tax Expense

	2018 RM'000	2017 RM'000
Loss before income tax expense is arrived at after charging/(crediting):		
Auditor's remuneration	**315**	313
Employee costs *(Note 11)*	**13,897**	13,871
(Gain)/loss on foreign exchange:		
— realised gain	**(345)**	(111)
— unrealised (gain)/loss	**(56)**	293
Write-off of loans and receivables	**24**	90
(Gain)/loss on disposal of property, plant and equipment, net	**(14)**	46
Depreciation of property, plant and equipment:		
— Owned	**1,291**	1,123
— Held under finance leases	**1,251**	1,158
Minimum lease payments under operating leases recognised as expense in the year	**1,358**	1,362

10. Dividends

No dividend was paid or proposed during 2018, nor has any dividend been proposed since the end of reporting period (2017: Nil).

There are no income tax consequences related the payment of dividends by the company to its shareholders.

11. Employee Costs

	2018 RM'000	2017 RM'000
Employee costs (including directors) comprise:		
Wages and salaries	**12,441**	12,042
Short-term non-monetary benefits	**249**	671
Contributions to retirement benefit schemes	**1,207**	1,158
	13,897	13,871

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

12. Directors' Emoluments

Directors' emoluments is disclosed as follows:

Year ended 31 December 2018:

	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	654	497	123	70	1,344
Chin Seng Leong	654	432	107	61	1,254
Wen Jianping (appointed on 16 January 2018)	60	–	–	–	60
Tsui Ka Mei (appointed on 5 November 2018)	15	–	–	–	15
Non-executive directors					
Dato' Tan Yee Boon (resigned on 11 May 2018)	46	–	–	–	46
Independent non-executive directors					
Lee Kwok Tung Louis	126	–	–	–	126
Liew Weng Keat	126	–	–	–	126
Wong Siu Keung Joe	126	–	–	–	126
	1,807	929	230	131	3,097

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

12. Directors' Emoluments (Continued)

Year ended 31 December 2017:

	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	659	494	96	65	1,314
Chin Seng Leong	659	429	83	56	1,227
Non-executive directors					
Dato' Tan Yee Boon	132	—	—	—	132
Independent non-executive directors					
Lee Kwok Tung Louis	132	—	—	—	132
Liew Weng Keat	132	—	—	—	132
Wong Siu Keung Joe	132	—	—	—	132
	1,846	923	179	121	3,069

No directors waived any emoluments during the year ended 31 December 2018 (2017: Nil).

13. Five Highest Paid Individuals

The five highest paid individuals included two (2017: two) directors of the Company whose emoluments are included in the disclosures in Note 12 above. The emoluments of the remaining three (2017: three) individuals were as follows:

	2018 RM'000	2017 RM'000
Salaries and other benefits	**916**	795
Contributions to retirement benefit schemes	**69**	64
	985	859

The emoluments of each of the above non-director highest paid individuals were all within the band of nil to RM525,000 (nil to HK$1,000,000) and nil to RM594,000 (nil to HK$1,000,000) in 2018 and 2017, respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

13. Five Highest Paid Individuals (Continued)

The emoluments paid or payable to members of senior management were within the band of nil to RM525,000 (2017: nil to RM594,000).

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

	2018 **RM'000**	2017 RM'000
Interest on bank overdrafts	**88**	73
Interest on bank borrowings	**726**	739
Interest on finance lease	**152**	221
	966	1,033

15. Income Tax Expense

The amount of income tax expense in the consolidated statement of comprehensive income represents:

	2018 **RM'000**	2017 RM'000
Current tax		
Malaysia income tax		
— charge for the year	**397**	646
— under-provision in respect of prior years	**91**	30
Hong Kong profits tax		
— charge for the year	**16**	—
	504	676
Deferred tax *(Note 22)*		
— charge/(credit) for the year	**59**	(99)
Income tax expense	**563**	577

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

15. Income Tax Expense (Continued)

Malaysian income tax is calculated at the statutory rate of 24% (2017: 24%) of the estimated taxable profit for the year. Certain subsidiaries incorporated in Malaysia enjoy tax rate of 18% (2017: 18%) on the first RM500,000 and remaining balance of the estimated taxable profit at tax rate of 24% (2017: 24%).

The Ministry of International Trade and Industry of Malaysia ("MITIM") had certified a 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. This subsidiary is therefore 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 Group entitled to a tax exemption amount of RM138,000 (2017: RM417,000).

Hong Kong profits tax is provided at tiered rates of 8.25% on the first HK$2 million and 16.5% for the remainder (2017: 16.5%) on estimated assessable profits arising from Hong Kong during the year. Taxation for oversea subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

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

	2018 RM'000	2017 RM'000
Loss before income tax expense	(3,335)	(1,584)
Tax calculated at the domestic tax rate	(517)	(75)
Tax incentive obtained from differential tax rate of 18% (2017: 18%)	—	(60)
Effect of tax exemption granted to Malaysia subsidiary	(138)	(417)
Tax effect of expenses not deductible for tax purposes	1,128	1,103
Tax effect of revenue not taxable	(1)	(4)
Under-provision of tax expense in prior year	91	30
Income tax expense	563	577

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

16. Loss Per Share

The calculation of loss per share is based on the loss 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 per share attributable to the ordinary equity holders of the Company is based on the following information:

	2018 RM'000	2017 RM'000
Loss		
Loss for the year attributable to owners of the Company	**(3,898)**	(2,161)

	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year	**800,000,000**	800,000,000

There was no movement on the number of shares in issue during the year. The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the year ended 31 December 2018 and 2017 are 800,000,000.

Diluted loss per share were the same as the basic loss per share as the Group had no dilutive potential shares during the years ended 31 December 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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 2017	1,227	14,185	10,341	4,844	1,325	1,062	32,984
Exchange adjustment	—	—	—	(5)	—	—	(5)
Additions	—	—	229	195	468	453	1,345
Written off	—	—	—	—	(4)	—	(4)
Disposals	—	—	(212)	—	—	(1)	(213)
At 31 December 2017 and 1 January 2018	1,227	14,185	10,358	5,034	1,789	1,514	34,107
Exchange adjustment	—	—	—	1	—	—	1
Additions	—	49	963	1,277	307	122	2,718
Disposals	—	—	(289)	(9)	—	—	(298)
Transferred from prepayment for acquisition of property, plant and equipment	—	956	—	—	—	—	956
At 31 December 2018	1,227	15,190	11,032	6,303	2,096	1,636	37,484
Accumulated depreciation:							
At 1 January 2017	—	696	5,458	1,044	761	511	8,470
Exchange adjustment	—	—	—	(2)	—	—	(2)
Charge for the year	—	275	1,195	478	218	115	2,281
Written off	—	—	—	—	(4)	—	(4)
Disposals	—	—	(50)	—	—	—	(50)
At 31 December 2017 and 1 January 2018	—	971	6,603	1,520	975	626	10,695
Exchange adjustment	—	—	—	1	—	—	1
Charge for the year	—	278	1,263	584	280	137	2,542
Disposals	—	—	(273)	—	—	—	(273)
At 31 December 2018	—	1,249	7,593	2,105	1,255	763	12,965
Net carrying amounts:							
At 31 December 2018	1,227	13,941	3,439	4,198	841	873	24,519
At 31 December 2017	1,227	13,214	3,755	3,514	814	888	23,412

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

17. Property, Plant and Equipment (Continued)

As at 31 December 2018, freehold land included in property, plant and equipment with a net carrying amount of RM1,227,000 (2017: RM1,227,000) is situated outside Hong Kong.

As at 31 December 2018, furniture, fixtures and equipment and motor vehicles include items with net carrying amounts of RM298,000 (2017: RM334,000) and RM3,398,000 (2017: RM3,666,000) respectively held under finance leases.

As at 31 December 2018, the Group's freehold land and the Group's certain of leasehold land and buildings with net carrying amount of RM1,227,000 (2017: RM1,227,000) and RM12,284,000 (2017: RM12,555,000) respectively, were pledged to secure the bank borrowings granted to the Group by licensed banks (Note 21).

18. Trade and Other Receivables

	2018 RM'000	2017 RM'000
Trade receivables	18,333	19,539
Other receivables	507	667
Prepayments and deposits	757	434
	19,597	20,640

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 of the end of reporting period:

	2018 RM'000	2017 RM'000
Within 1 month	13,672	11,101
1 to 2 months	2,236	4,672
2 to 3 months	747	2,047
Over 3 months	1,678	1,719
	18,333	19,539

As at 31 December 2018, the Group has performed a review of trade and other receivables for evidence of impairment on both individual and collective basis. Based on the impairment assessment, the Group has assessed that the expected credit loss for these trade and other receivables is immaterial, and no impairment loss has been recognised as at 31 December 2018. The Group did not hold any collateral as security or other credit enhancement over the trade receivables.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

18. Trade and Other Receivables (Continued)

In prior year, for trade and other receivables, the Group performed impairment assessment by taking into account of creditworthiness, past payment history and subsequent settlement of each customer up to date of approval of the financial statements. No impairment loss has been recognised as at 31 December 2017.

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

	2018 RM'000	2017 RM'000
Neither past due nor impaired	10,244	12,280
Past due but not impaired:		
Less than 1 month	5,219	4,511
1 to 3 months	2,023	1,986
More than 3 months but less than 12 months	847	762
	8,089	7,259

During the year ended 31 December 2018, the expected losses rate for customers in relation to the Group's principal activities is minimal, given there is no history of significant defaults from customer and insignificant impact from forward-looking estimates. The assessed expected credit losses for the trade receivables are not significant. The trade receivables are regularly reviewed by management to ensure relevant information about specific debtors is updated.

In prior year, for 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 believed that no impairment allowance under HKAS 39 was necessary in respect of these balances as there has not been a significant change in credit quality and the balances were still considered to be fully recoverable.

19. Trade and Other Payables

	2018 RM'000	2017 RM'000
Trade payables	5,365	8,082
Other payables	1,142	1,153
Accruals and deposits received	362	508
	6,869	9,743

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

19. Trade and Other Payables (Continued)

Trade payables are non-interest bearing. The Group is normally granted credit terms ranging from 0 to 30 days from the invoice date. The Group has financial management policies in place to ensure that all payables are settled within the credit timeframe.

Included in trade and other payables are trade creditors with the following aging analysis, based on invoice dates, as of end of reporting period:

	2018 **RM'000**	2017 RM'000
Current or less than 1 month	**3,531**	5,041
1 to 2 months	**1,512**	2,523
2 to 3 months	**9**	252
More than 3 months but less than 12 months	**313**	266
	5,365	8,082

20. Contract Liabilities

	As at 31 December 2018 RM'000	**As at 1 January 2018** RM'000	**As at 31 December 2017** RM'000
Freight forwarding and related services	155	236	—

Typical payment term which impact on the amount of contract liabilities is as follows:

Freight forwarding and related services

The Group typically receives deposits before providing the freight forwarding and related services. The Group expects to deliver the services to satisfy the remaining obligations of these contract liabilities within one year or less.

Upon the adoption of HKFRS 15, receipt in advance from customers previously included in trade and other payables has been reclassified to contract liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

21. Bank Borrowings, Secured

	2018 RM'000	2017 RM'000
Secured and interest-bearing bank borrowings	**12,996**	13,831
Bank overdraft	**652**	6,224
	13,648	20,055
Bank borrowings are scheduled to repay as follows:		
— on demand or within one year	**1,534**	7,074
— more than one year, but not exceeding two years	**916**	894
— more than two years, but not exceeding five years	**3,037**	2,914
— after five years	**8,161**	9,173
	13,648	20,055
Amount due within one year included in current liabilities	**(1,534)**	(7,074)
Amount include in non-current liabilities	**12,114**	12,981

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 2018 ranged from 4.9% to 10.2% (2017: 4.6% to 8.2%) per annum.

(2) As at 31 December 2018, the carrying amount of bank loans that are not repayable within one year from the end of the reporting period based on the repayment dates set out in the related loan agreements which the related loan agreements contain a repayable on demand clause amounted to RM12,114,000 (2017: RM12,981,000).

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 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 agreements.

Accordingly, the liability associated with the term loans of the Group raised in Malaysia which contain a repayable on demand clause is classified as current and/or non-current liability in accordance with other terms and conditions as stated in the respective term loan agreements without taking account of the repayment on demand clauses.

(3) The Group's bank borrowings and banking facilities as at 31 December 2018 and 2017 were secured by the following:

— land and buildings with a net carrying amount of RM13,511,000 (2017: RM13,782,000) as at 31 December 2018 (Note 17); and

— a corporate guarantee of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

22. Deferred Tax Liabilities

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

	Accelerated tax depreciation RM'000
At 1 January 2017	746
Credit to profit or loss for the year	(99)
At 31 December 2017 and 1 January 2018	647
Charge to profit or loss for the year	59
At 31 December 2018	706

No deferred tax asset has been provided in the consolidated financial statements as there were no material deductible temporary differences as at 31 December 2018 (2017: Nil).

23. Finance Lease Obligations

The Group leases certain furniture, fixture and equipment and 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 2018:

	Minimum lease payments RM'000	Interest RM'000	Present value RM'000
Not later than one year	1,036	97	939
Later than 1 year but less than 2 years	568	57	511
Later than 2 years and not later than 5 years	722	51	671
	2,326	205	2,121

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

23. Finance Lease Obligations (Continued)

At 31 December 2017:

	Minimum lease payments RM'000	Interest RM'000	Present value RM'000
Not later than one year	1,907	129	1,778
Later than 1 year but less than 2 years	921	47	874
Later than 2 years and not later than 5 years	485	22	463
	3,313	198	3,115

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

	2018 RM'000	2017 RM'000
Current liabilities	**939**	1,778
Non-current liabilities	**1,182**	1,337
	2,121	3,115

(a) As at 31 December 2018 and 2017, the finance lease obligations were secured by a corporate guarantee of the Company.

(b) As at 31 December 2018, the effective interest rates of the Group's finance lease liabilities ranged from 3.9% to 6.7% (2017: 2.5% to 3.9%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

24. Share Capital

	2018 RM'000	2017 RM'000
Ordinary shares of HK$0.01 each		
Issued and fully paid		
As at 31 December	**4,154**	4,154

The share capital balance represented the issued share capital of the Company. Details of the authorised, issued and fully paid share capital of the Company during the year are summarised as follows:

	Number of shares	Amount RM'000	Amount HK$'000
Ordinary shares of HK$0.01 each			
Authorised:			
At 31 December 2017 and 31 December 2018	1,000,000,000	5,383	10,000

	Number of shares	Amount RM'000	Amount HK$'000
Issued and fully paid:			
At 31 December 2017 and 31 December 2018	800,000,000	4,154	8,000

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 represented the difference between the nominal value of the issued share capital of its subsidiaries including Worldgate Express, My Forwarder, Freight Transport and Worldgate International acquired by the Company pursuant to certain reorganisation of the Group and the nominal value of the shares issued by the Company in the prior year.

Exchange reserve

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

25. Reserves (Continued)

The Company

The movements of the Company's reserves during the year ended 31 December 2018 were as follows:

	Share premium RM'000	Exchange reserves RM'000	Other reserve RM'000	Accumulated losses RM'000	Total RM'000
Balance as at 1 January 2018	29,425	405	32,384	(17,201)	45,013
Loss for the year	—	—	—	(4,167)	(4,167)
Exchange differences	—	470	—	—	470
Balance as at 31 December 2018	29,425	875	32,384	(21,368)	41,316

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.

The movements of the Company's reserves during the year ended 31 December 2017 were as follows:

	Share premium RM'000	Exchange reserves RM'000	Other reserve RM'000	Accumulated losses RM'000	Total RM'000
Balance as at 1 January 2017	29,425	3,311	32,384	(6,884)	58,236
Loss for the year	—	—	—	(10,317)	(10,317)
Exchange differences	—	(2,906)	—	—	(2,906)
Balance as at 31 December 2017	29,425	405	32,384	(17,201)	45,013

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

26. Share Option Scheme

Pursuant to written resolutions passed by the shareholders of the Company on 17 June 2016, the shareholders 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 maximum number of shares that may be granted under the Share Option Scheme and other share option schemes shall not exceed 10% of the number of issued shares of the Company from time to time. No option may be granted to any person such that the total number of shares of the Company issued and to be issued upon exercise of all options granted and to be granted to each participant in any 12-month period up to the date of the latest grant exceeds 1% of the number of shares of the Company in issue.

The Share Option Scheme will be valid and effective for a period of 10 years commencing from 17 June 2016, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

27. Holding Company Statement of Financial Position

As at 31 December

	Notes	2018 RM'000	2017 RM'000
Non-current assets			
Investment in a subsidiary		23,988	25,184
Total non-current assets		23,988	25,184
Current assets			
Other receivables, deposits and prepayments		41	149
Amounts due from subsidiaries		11,897	9,336
Cash and cash equivalents		10,250	14,706
Total current assets		22,188	24,191
Current liabilities			
Other payables and accruals		706	208
Total current liabilities		706	208
Net current assets		21,482	23,983
Net assets		45,470	49,167
Capital and reserves			
Share capital	*24*	4,154	4,154
Reserves	*25*	41,316	45,013
Total equity		45,470	49,167

On behalf of the directors

Lee Chooi Seng
Director

Chin Seng Leong
Director

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

28. Investments in Subsidiaries

Details of principal activities 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 2018	2017	Principal activities
Worldgate International Investment Limited	the BVI/Limited liability company	Hong Kong	US$100	100%	100%	Investment holding
Pacific Express Limited	the BVI/Limited liability company	Hong Kong	US$1,000	100%	N/A	Investment holding
Worldgate Express Services Sdn. Bhd.	Malaysia/Limited liability company	Malaysia	RM5,000,000	100%	100%	Freight forwarder and warehouse management service
My Forwarder International Sdn. Bhd.	Malaysia/Limited liability company	Malaysia	RM1,000,000	100%	100%	Freight forwarder
Freight Transport Network Sdn. Bhd.	Malaysia/Limited liability company	Malaysia	RM1,000,000	100%	100%	Freight forwarder
Dong Tai Logistics (Hong Kong) Holdings Limited	Hong Kong/Limited liability company	Hong Kong	HK$10,000	100%	100%	Provide supporting services to other Group's entities
Worldgate Haulage Services Sdn. Bhd.	Malaysia/Limited liability company	Malaysia	RM500,000	100%	100%	Provision of trucking and haulage services
Dominant Apex Limited	Hong Kong/Limited liability company	Hong Kong	HK$1	100%	N/A	Trading of used mobile phones

Note: Except for Worldgate International Investment Limited and Pacific Express Limited, all the subsidiaries are indirectly held by the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

29. Operating Leases

Operating lease payments represent rentals payable by the Group for certain of its lease 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:

	2018 RM'000	2017 RM'000
Not later than one year	677	446
Later than one year and not later than two years	242	71
Later than two years and not later than five years	5	32
	924	549

30. Related Party Transactions

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

	2018 RM'000	2017 RM'000
Wages and salaries	4,237	4,415
Contributions to retirement benefits schemes	238	254
	4,475	4,669

31. Contingent Liabilities

As at 31 December 2018, bank guarantees of RM522,000 (2017: RM45,000) of the Group were issued to suppliers for operational requirements. The directors do not consider it probable that a claim will be made against the Group under these guarantees and hence no related financial liabilities are recognised in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

32. Capital Commitments

	2018 RM'000	2017 RM'000
Commitments for the acquisition of property, plant and equipment	–	83

33. Summary of Financial Assets and Financial Liabilities by Category

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

	2018 RM'000	2017 RM'000
Financial assets		
At amortised cost		
— Cash and bank balances	24,184	37,158
— Trade and other receivables	18,840	20,206
	43,024	57,364
Financial liabilities measured at amortised cost		
— Trade and other payables	6,507	9,235
— Finance lease obligations	2,121	3,115
— Bank borrowings	13,648	20,055
	22,276	32,405

Financial instruments not measured at fair value

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

Due to their short term nature, the carrying value of cash and bank balances, trade and other receivables and trade and other payables, approximates their fair value.

The fair value of bank borrowings and finance lease obligations for disclosure purposes has been determined using discounted cash flow models and is classified as level 3 in the fair value hierarchy. Significant inputs include the discount rate used to reflect the credit risks of the Group.

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 customers' 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.

Based on individual assessment for major customers and portfolio assessment for other customers by the management of the Group, the management has closely monitored the credit qualities and the collectability of the trade receivables and considered that the expected credit risks of them are close to zero.

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 8% (2017: 17%) and 22% (2017: 48%) 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.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 18.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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 2018						
Trade and other payables	6,507	6,507	6,507	—	—	—
Bank borrowings	13,648	18,156	2,217	1,552	4,641	9,746
Finance lease obligations	2,121	2,326	1,037	568	721	—
Financial guarantees — maximum amount guaranteed *(Note 31)*	—	522	522	—	—	—
	22,276	27,511	10,283	2,120	5,362	9,746

	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 2017						
Trade and other payables	9,743	9,743	9,743	—	—	—
Bank borrowings	20,055	24,361	7,769	1,545	4,582	10,465
Finance lease obligations	3,115	3,313	1,907	921	485	—
Financial guarantees — maximum amount guaranteed *(Note 31)*	—	45	45	—	—	—
	32,913	37,462	19,464	2,466	5,067	10,465

(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 2018 and 2017 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

34. Financial Risk Management (Continued)

(c) Interest rate risk (Continued)

Bank balances earn interest at prevailing market interest rate exposes the Group to cash flow interest rate risk. The directors 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 2018, 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 accumulated losses by approximately RM105,000 (2017: RM109,000). 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 2017.

(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 2018 and 2017, the Group had no open foreign currency forward contracts to mitigate the risk on foreign currency fluctuation against RM.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

34. Financial Risk Management (Continued)

(d) Currency risk (Continued)

The net position of the carrying amounts of the USD denominated monetary assets and liabilities as of end of reporting period are as follows:

	2018 RM'000	2017 RM'000
Trade receivables	2,486	1,703
Cash and cash equivalents	941	2,018
Trade payables	(1,057)	(1,349)
Overall net exposure	2,370	2,372

The following tables illustrate the approximate decrease in the Group's loss for the year 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. Accumulated losses would decrease by the same amount.

	2018 RM'000	2017 RM'000
USD appreciated by 5%	119	119

The change in exchange rates do not affect the Group's other component of equity. The same percentage depreciation in USD against the functional currency of the respective group companies would have the same magnitude on loss and accumulated losses 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

35. Capital Management (Continued)

The directors of the Group actively and regularly reviews and manages 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 sells assets to reduce debts.

The gearing ratio as the end of reporting period was as follows:

	2018 RM'000	2017 RM'000
Bank borrowings	13,648	20,055
Finance lease obligations	2,121	3,115
	15,769	23,170
Total equity	45,598	49,154
Gearing ratio	35%	47%

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. Note Supporting Cash Flow Statement

(a) Cash and cash equivalents comprise:

	2018 RM'000	2017 RM'000
Cash available on demand	24,184	37,158
Overdrafts	(652)	(6,224)
Cash and cash equivalent at end of year	23,532	30,934
Significant non-cash transactions are as follows:		
Financing activities		
Assets acquired under finance leases	984	587
	984	587

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

36. Note Supporting Cash Flow Statement (Continued)

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows are, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank loans and other borrowings *(Note 21)* RM'000	Finance leases *(Note 23)* RM'000
At 1 January 2017	14,638	4,329
Changes from financing cash flows:		
Repayment of bank loans	(807)	—
Interest paid on bank borrowings	(739)	—
Capital element of finance lease rentals paid	—	(1,801)
Interest element of finance lease rentals paid	—	(221)
Total changes from financing cash flows:	13,092	2,307
Other changes:		
Interest expenses	739	—
New finance leases	—	587
Finance charges on obligations under finance leases	—	221
Total other changes	739	808
At 31 December 2017 and 1 January 2018	13,831	3,115
Changes from financing cash flows:		
Repayment of bank loans	(835)	—
Interest paid on bank borrowings	(726)	—
Capital element of finance lease rentals paid	—	(1,978)
Interest element of finance lease rentals paid	—	(152)
Total changes from financing cash flows:	12,270	985
Other changes:		
Interest expenses	726	—
New finance leases	—	984
Finance charges on obligations under finance leases	—	152
Total other changes	726	1,136
At 31 December 2018	12,996	2,121

FINANCIAL SUMMARY

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

Results

	For the year ended 31 December				
	2014	2015	2016	2017	**2018**
	RM'000	RM'000	RM'000	RM'000	**RM'000**
Revenue	60,375	83,044	107,077	96,442	**74,278**
Cost of sales	(46,989)	(62,231)	(89,075)	(81,387)	**(62,060)**
Gross profit	13,386	20,813	18,002	15,055	**12,218**
Other revenue	897	2,122	1,106	422	**820**
Administrative expenses	(7,921)	(11,788)	(19,196)	(16,028)	**(15,407)**
Finance costs	(611)	(1,056)	(1,236)	(1,033)	**(966)**
Profit/(loss) before income tax expense	5,751	10,091	(1,324)	(1,584)	**(3,335)**
Income tax (expense)/credit	(1,876)	(3,122)	1,317	(577)	**(563)**
Profit/(loss) for the year	3,875	6,969	(7)	(2,161)	**(3,898)**
Attributable to:					
Owners of the Company	3,875	6,969	(7)	(2,161)	**(3,898)**

Assets and Liabilities

	As at 31 December				
	2014	2015	2016	2017	**2018**
	RM'000	RM'000	RM'000	RM'000	**RM'000**
Total assets	43,800	68,463	94,232	82,879	**69,147**
Total liabilities	(27,291)	(38,158)	(40,606)	(33,725)	**(23,549)**
Total equity	16,509	30,305	53,626	49,154	**45,598**