



Infinity Logistics and Transport Ventures Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1442



2020 ANNUAL REPORT





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dato' Chan Kong Yew
(Chairman and Chief Executive Officer)
Dato' Kwan Siew Deeg
Datin Lo Shing Ping
Datuk Tan Jyh Yaong *(appointed on 19 March 2021)*
Mr. Yap Sheng Feng *(appointed on 7 August 2020 and re-designated on 31 December 2020)*

Independent Non-Executive Directors

Mr. Chan Leng Wai *(resigned on 7 August 2020)*
Mr. Li Chi Keung
Mr. Tan Poay Teik
Ms. Yeung Hoi Yan Monica *(appointed on 7 August 2020)*

AUDIT COMMITTEE

Mr. Tan Poay Teik *(Chairman of the Committee)*
(re-designated on 7 August 2020)
Mr. Li Chi Keung
Mr. Chan Leng Wai *(resigned on 7 August 2020)*
Mr. Yap Sheng Feng *(appointed on 7 August 2020 and retired on 31 December 2020)*
Ms. Yeung Hoi Yan Monica *(appointed on 7 August 2020)*

REMUNERATION COMMITTEE

Mr. Tan Poay Teik *(Chairman of the Committee)*
(re-designated on 7 August 2020)
Dato' Kwan Siew Deeg
Ms. Yeung Hoi Yan Monica *(appointed on 7 August 2020)*
Mr. Li Chi Keung *(retired on 7 August 2020)*

NOMINATION COMMITTEE

Dato' Chan Kong Yew *(Chairman of the Committee)*
Mr. Chan Leng Wai *(resigned on 7 August 2020)*
Mr. Li Chi Keung *(retired on 7 August 2020)*
Mr. Tan Poay Teik *(appointed on 7 August 2020)*
Ms. Yeung Hoi Yan Monica *(appointed on 7 August 2020)*

AUTHORISED REPRESENTATIVES

Dato' Chan Kong Yew
Mr. Lau Wai Piu Patrick

COMPANY SECRETARY

Mr. Lau Wai Piu Patrick

JOINT AUDITORS

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Public Accountants and Chartered Accountants,
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Cayman Islands

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Malaysia

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wan Chai
Hong Kong



CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
PO Box 1350
Clifton House
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Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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Hong Kong

PRINCIPAL BANKS

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50050 Kuala Lumpur
Malaysia

COMPLIANCE ADVISOR

VBG Capital Limited
18/F, Prosperity Tower
39 Queen's Road Central
Hong Kong

STOCK CODE

1442

WEBSITE

www.infinity.com.my

FINANCIAL HIGHLIGHTS

Highlights of combined/consolidated statements of profit or loss and other comprehensive income

| | FY2016 (RM'000) | FY2017 (RM'000) | FY2018 (RM'000) | FY2019 (RM'000) | FY2020 (RM'000) |
|---|--------------------|--------------------|--------------------|--------------------|----------------------------|
| Revenue | 189,253 | 188,613 | 201,183 | 209,432 | 223,669 |
| Gross profit | 31,030 | 28,694 | 44,275 | 53,907 | 53,013 |
| Profit before tax | 12,723 | 10,649 | 26,179 | 25,058 | 30,968 |
| Profit for the year | 11,817 | 8,933 | 22,503 | 19,480 | 25,109 |
| Total comprehensive income for the year | 12,557 | 8,037 | 22,612 | 19,090 | 23,994 |

Highlights of combined/consolidated statements of financial position

| | FY2016 (RM'000) | FY2017 (RM'000) | FY2018 (RM'000) | FY2019 (RM'000) | FY2020 (RM'000) |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|----------------------------|
| Total non-current assets | 65,516 | 89,655 | 103,360 | 144,694 | 158,392 |
| Total current assets | 71,117 | 81,114 | 91,692 | 73,414 | 138,471 |
| Total non-current liabilities | 26,797 | 43,714 | 52,500 | 70,631 | 70,389 |
| Total current liabilities | 53,897 | 63,317 | 59,809 | 64,180 | 52,590 |
| Net current assets | 17,220 | 17,797 | 31,883 | 9,234 | 85,881 |
| Net assets | 55,939 | 63,738 | 82,743 | 83,297 | 173,884 |

CHAIRMAN'S STATEMENT

COMPANY PERFORMANCE

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Infinity Logistics and Transport Ventures Limited together with its subsidiaries, I am delighted to present our annual report for the year ended 31 December 2020. The company did relatively well for the year despite the ongoing global pandemic. Three of our business units observed an increase in revenue. They are the flexitank solution and related services with 10.5%, integrated freight forwarding services with 6.2% as well as logistics centre and related services with 17.3%. However, our railroad transportation services observed a decrease with a total of 33.2%. This is mainly due to the movement control order which was implemented throughout the country. Since the borders were closed, the rail services were disrupted.

There are several reasons for the increase of revenue for three of our business units. The flexitank solution was driven by the growing demand to transport essential liquid cargo for treatment purposes. On top of that, there was a boom in the glove industry and therefore, there were demands for synthetic and natural latex which are transported using flexitank. Additionally, the global disruption of the supply chain in transportation has converted some of the bulk movement into container bulk therefore, the flexitank industry benefitted from this as well. The disruption in the supply chain in the People's Republic of China (the “**PRC**”) when they were under lockdown was also another factor that contributed to the revenue.

The freight forwarding services on the other hand, observed low freight cost in the first three quarters of the year. However, in the last quarter, this division experienced a big drop due to sudden spike in the freight cost. This resulted in customer delaying their shipments. Despite the increase in freight cost, this division did pretty well because we transported many essential items and this resulted in an increase in revenue. Nonetheless, as the demand for e-commerce increases and the global trade gains the foothold, we foresee the revenue of air freight market is bound to fly high. Similarly, the pandemic has increased the demand in our logistics centre division as it has helped us achieve maximum utilisation for all our warehousing facilities. This clearly showed that the warehousing services are deemed essential to various industries.

Outlook 2021: “Only in the darkness, can you see the stars”

At the point of writing, we are undergoing Conditional Movement Control Order (CMCO) with the country still registering 4-digit COVID-19 cases daily. With the pandemic still looming over our heads, the economy faces uncertainty. However, we can see light at the end of the tunnel as the Malaysian Health Ministry (MOH) has started the vaccination programme in the country in March 2021. The vaccination is given to the people in batches starting from the frontlines. Nevertheless, we are neither overly optimistic nor pessimistic of the situation though we strongly believe that every cloud has a silver lining.

The Pandemic Effect on Supply Chains

This pandemic has had a devastating impact and has disrupted supply chains around the world but not all industries were affected by it. Some industries were able to survive the storm better than other and one such industry is the shipping industry. The pandemic has built a situation where there is less demand for supplies. The decrease in production and consumption activities had led to a slowdown in maritime trade which in turn reduced shipping demand. This came as a great opportunity for the shipping industry to increase their freight rates to about 400% — 500%. This industry has clearly benefitted from the unprecedented period and has created further disruption to the supply chains by creating uncertainty on the cargo movement. This has resulted in many to make adjustments to their shipping arrangements as they cannot afford such high freight rates.

CHAIRMAN'S STATEMENT

On the contrary, the freight forwarders have been enduring a trying period as a result of this pandemic's disruption. As a freight forwarder ourselves, we were also affected a little especially in the last quarter of 2020 and we foresee it to continue into the first quarter of 2021. However, we are hopeful that the situation will gradually improve by the second quarter when the supply chain in the shipping industry gets better. Similarly, for the flexitank industry, it comes together with the freight. Should the freight rates continue to be high, customers will tend to wait and settle for buying lesser.

The Digital Transformation of Logistics

Our digitisation effort kicked in last year as we embarked on our digital transformation journey through our IDEAS programme which is the acronym for Infinity Digitalised Enterprise Application Suite. This transformation involves digitising all our mission-critical operational processes, simplifying data entry process and quicken the transfer of data to as real-time as possible, thus enhancing visibility across the supply chain. Moreover, with the current pandemic, we are also improving on our digital technology to enable employees to work remotely. We have been striving to equip ourselves in achieving effective remote working culture and we strongly believe with this IDEAS initiative it will further strengthen our abilities and prepare us better to cope with the unprecedented disruptions happening globally.

The Group's Execution Strategy

In the near future, we foresee plenty of opportunities for warehousing services as many will no longer overly depend on single hubs. The pandemic has been a wakeup call for everyone. The whole world has realised that we should not just rely on single hubs. This is where opportunities will manifest for others who are based out of the PRC. We, in Malaysia see an opportunity in this especially inside the port where we are already in the midst of preparing to increase our warehouse capacity in the country. We will be building an 18-acre logistics center with a net 257,000 sqf of warehousing space inside Westports which is expected to be completed by the third quarter of 2021 and another approximately 50,000 sqf warehouse in the Port of Tanjung Pelepas which is expected to be completed by the second quarter of 2022 to take full advantage of the near future demand surge in warehousing space.

I wish to acknowledge the parties who have supported us in our journey through this difficult period. On behalf of the Board, I would like to express my sincere gratitude towards the Management and employees of Infinity for their loyalty, diligence and dedication. The same goes to my colleagues in the Board for their astute insights and wise counsel which have certainly helped us derive a clear pathway amidst the global pandemic and last but not least, our stakeholders for their continuous trust and confidence in us.

Thank you.

Dato' Chan Kong Yew
Chairman of the Board

19 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The Group is pleased to report the results for the year ended 31 December 2020.

During the year ended 31 December 2020, the Group recorded a revenue of approximately RM223,669,000 (2019: approximately RM209,432,000), representing an increase of approximately 6.8% over the same period last year. The Group recorded a gross profit of approximately RM53,013,000 for the year ended 31 December 2020 (2019: approximately RM53,907,000), representing a decrease of approximately 1.7% over the same period last year. The gross profit margin of the Group decreased from approximately 25.7% for the year ended 31 December 2019 to approximately 23.7% for the year ended 31 December 2020. The Group recorded a net profit of approximately RM25,109,000 for the year ended 31 December 2020 (2019: approximately RM19,480,000).

BUSINESS OVERVIEW

The Group generated revenue from the provision of (i) integrated freight forwarding services; (ii) logistics centre and related services; (iii) railroad transportation services and (iv) flexitank solution and related services. The sustained performance of the Group is attributable to strategic portfolios of integrated logistics services offered to varied mix of customers and industries across Malaysia and neighboring countries.

Revenue from integrated freight forwarding services increased by 6.2% to approximately RM77,584,000 due to improved demand on freight forwarding activities. The gross profit contribution from this segment increased by 4.2% to approximately RM15,969,000.

Revenue from logistics centre and related services increased by 17.3% to approximately RM64,398,000 primarily due to the increase in revenue from warehouse services. The gross profit contribution from this segment increased by 22.8% to approximately RM12,283,000.

Revenue from railroad transportation services decreased by 33.2% to approximately RM12,752,000 due to the decrease in revenue from landbridge transportation services. The gross profit contribution from this segment decreased by 37.5% to approximately RM3,746,000.

Revenue from flexitank solution and related services increased by 10.5% to approximately RM68,935,000. The gross profit contribution from this segment decreased by 7.0% to approximately RM21,015,000.

The Group's operational costs totalled approximately RM170,656,000, representing an increase of approximately RM15,131,000 or 9.7% as compared to the same period last year.

The Group's other income totalled approximately RM903,000, representing a decrease of approximately RM1,355,000 or 60.0% as compared to the same period last year. The reason for huge decrease is because of higher other income from gain on disposal of property, plant and equipment for the year ended 31 December 2019.

COMPANY PROSPECT

Though the entire country is under Movement Control Order, most economic sectors are allowed to operate. The Group therefore don't see a huge effect on the economy this time. As a result, the overall local volume in the port has only dropped by a mere 2% in 2020. Moving forward, the Group expects the volume to be growth and the Group is preparing itself to meet the increased demand by completing the construction of two warehouses, one expected by the third quarter of 2021 and another expected by the second quarter of 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Apart from that, once the situation of COVID-19 improves, the Group expects the government to roll out some infrastructure projects. As one of the Group's vertical logistics involves construction building material and steel cargo, the Directors foresee the Group to benefit from it. At the same time, the Group also anticipates consolidations where more micro and SME logistics companies will merge and this will result in fewer competition.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in Malaysia. The Group held bank balances and cash of approximately RM72,065,000 at 31 December 2020 (2019: approximately RM17,180,000). The Group leases various properties, lands, containers and motor vehicles with lease liabilities of approximately RM29,101,000 (2019: approximately RM27,225,000) with rental contracts typically made for fixed periods of two to thirty years (2019: two to thirty years). The Group had interest-bearing borrowings from various banks of approximately RM50,735,000 (2019: approximately RM59,971,000) which are repayable ranging from within one year to over five years (2019: within one year to over five years) since inception. Also, the Group had other bank overdrafts of approximately RM8,455,000 at 31 December 2020 (2019: approximately RM9,358,000). At 31 December 2020, the weighted average effective interest rate on interest-bearing borrowings was 4.72% (2019: 4.85%) per annum. The carrying amounts of bank borrowings were denominated in Ringgit Malaysia. The Group's gearing ratio at 31 December 2020, calculated based on the total borrowings to the equity attributable to owners of the Company, was 0.51 (2019: 1.16). The Directors believe that the Group's cash position, liquid asset value, future revenue and available banking facilities will be sufficient to fulfill the working capital requirements of the Group. There has been no material change in the capital structure of the Company during the year ended 31 December 2020. The capital of the Company comprises the shares and other reserves.

Treasury policies

The Group has adopted a prudent financial and surplus funds management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 December 2020. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that sufficient financial resources are available to meet its funding requirements and commitment timely.

Hedging and exchange rate exposure

The majority of the transactions, assets and liabilities on the Group was denominated in RM and United States dollars. During the year ended 31 December 2020, no financial instruments were used for hedging purposes, and the Group did not commit to any financial instruments to hedge its exposure to exchange rate risk, as the expected exchange rate risk is not significant. The Directors and senior management will continue to monitor the foreign exchange exposure and will consider applicable derivatives when necessary. The Group did not have any derivatives for hedging against the foreign exchange rate risk at 31 December 2020.

Capital expenditure

During the year ended 31 December 2020, the Group's total capital expenditure amounted to approximately RM28,539,000 (2019: approximately RM55,429,000).

Charge on group assets

At 31 December 2020, the Group's leasehold lands, construction in progress and buildings with a total carrying amount of approximately RM70,742,000 (2019: approximately RM72,228,000) were pledged to secure bank facilities granted to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities

At 31 December 2020, the Group had no contingent liabilities.

Material acquisitions or disposals

The Group did not have any material acquisition or disposals of subsidiaries or associated companies during the year ended 31 December 2020.

Significant events after the reporting date

There are no significant events affecting the Group which have occurred after the end of the reporting period and up to the date of this annual report.

Employees

As at 31 December 2020, the Group had a total of 490 employees (2019: 480) in Malaysia. Staff costs (including directors' emoluments) for the year ended 31 December 2020 amounted to approximately RM24,962,000 (2019: approximately RM23,320,000). The Group ensures that the pay levels of its employees are competitive and according to market trends and its employees are rewarded on a performance related basis and within the general framework of the Group's salary and bonus system.

DIVIDEND

During the year ended 31 December 2020, the Group declared an interim dividend of US\$0.0007 per share to the shareholders of the Company whose names appear on the register of members of the Company on 7 September 2020, amounting to approximately US\$1,400,000 (equivalent to approximately RM6,000,000) in total.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the shareholders' eligibility to attend and vote at the annual general meeting of the Company to be held on 30 June 2021 (Wednesday) (the "**2021 AGM**"), the register of members of the Company will be closed from 25 June 2021 (Friday) to 30 June 2021 (Wednesday) (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending the 2021 AGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 24 June 2021 (Thursday).

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 21 January 2020 with net proceeds received by the Company from the share offer in the amount of approximately RM62.7 million after deducting underwriting commissions and other related expenses (the “**Net Proceeds**”). The Company has not yet fully utilised the Net proceeds as at 31 December 2020 due to factors below:

- (i) As the container price is increased, it is not worth to acquire now. The management of the Group will keep monitor and keep track on the price from time to time.
- (ii) The ERP solution is delayed due to COVID-19 lockdown of the country border and travel restriction. The Group expects to start the deployment from the third quarter of 2021.

| | Net Proceeds <i>RM'million</i> | Amount Utilised <i>RM'million</i> | Amount Unutilised <i>RM'million</i> | Expected timeline for utilising the unutilised Net Proceeds |
|---|--|---|---|--|
| Construction of warehouse in Westport Free Zone in Port Klang | 46.0 | 1.6 | 44.4 | Before the end of 30 September 2021 |
| Purchase of haulage prime movers & trailers | 5.0 | 5.0 | — | Fully utilised |
| Replaced aged and acquire additional forklifts | 3.0 | 3.0 | — | Fully utilised |
| Purchase of containers for NVOCC segment | 3.0 | — | 3.0 | Before the end of 31 December 2021 |
| Upgrade of IT System | 2.0 | 1.0 | 1.0 | Before the end of 31 December 2021 |
| General working capital purpose | 3.7 | 3.7 | — | Fully utilised |
| | 62.7 | 14.3 | 48.4 | |

The Net Proceeds of RM48.4 million are expected to be used in the period from 1 January 2021 to 31 December 2021 for the same purpose as set out in the prospectus of the Company dated 30 December 2019 (the “**Prospectus**”). It is based on the Directors’ best estimate of future market conditions, but subject to adjustment.

Other than the expected timetable, the Directors are not aware of any material changes in the plans in relation to the use of Net Proceeds as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus.

Should the Directors decide to reallocate the planned use of the Net Proceeds to other business plan/or new projects of the Company to a material extent, the Company will make appropriate announcement in due course.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Infinity Logistics and Transport Ventures Limited (the “**Company**” together with its subsidiaries, hereinafter referred to as the “**Group**”) is pleased to present our annual Environmental, Social and Governance Report for year ended 31 December 2020 (the “**ESG Report**”) to provide an overview of the Group’s management of significant issues affecting the operation, including environmental, social and governance (“**ESG**”) matters.

The board of directors (the “**Board**”) has overall responsibility for the Group’s ESG strategy and reporting. The Board is responsible for evaluating and determining the Group’s ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

REPORTING PERIOD

The ESG Report illustrates the Group’s initiative and performance regarding the environmental and social aspects during the reporting period from 1 January 2020 to 31 December 2020 (the “**Reporting Period**”).

REPORTING SCOPE

This ESG Report covers all major subsidiaries of the Group in Malaysia with core business principally engaged in the provision of integrated freight forwarding services, logistics centre and related services and railroad transportation services as an integrated logistics services provider and provision of flexitank solution and related services. The Group will continue in assessing the impacts of its business on the major ESG aspects and to include in the ESG Report.

REPORTING BASIS

The ESG Report is prepared with the ESG Reporting Guide set out by Appendix 27 of the Listing Rules. The Group has complied with the disclosure requirements of the “comply or explain” provisions set out in the ESG Reporting Guide. Certain key performance indicators (“**KPIs**”) which is considered as material by the Group during the Reporting Period are disclosed in the ESG Report. The Group will continue to optimize and improve the disclosure of KPIs. The ESG Report is prepared and published in both English and Chinese. In the event of contradiction or inconsistency, the English version shall prevail.

CONTACT INFORMATION

The Group welcomes your feedback on the ESG Report for our sustainability initiatives. Please contact us through our Company website www.infinity.com.my.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDERS ENGAGEMENT

We identified the key stakeholders of our business operations and then interacted with our stakeholders regularly through various communication channels. The following table illustrates the issues of concern of our major stakeholders and the ways we communicate with them:

| Stakeholder | Expectation | Engagement channel | Measures |
|----------------------------|--|--|--|
| Government | — Abide by laws and regulation | — On-site inspections and checks | — Operated, managed and paid taxes according to laws and regulations |
| | — Fulfil duty to pay tax | — Company Website | — Strengthened safety management |
| | — Promote regional economic development and employment | | — Accepted the government's supervision, inspection and evaluation |
| Shareholders and Investors | — Provide high transparency for information disclosure | — Annual general meeting and other shareholders meetings | — Issued notices of general meeting and proposed resolutions according to regulations |
| | — Protect shareholders' rights and interests | — Annual report, interim report and announcements/publications | — Disclosed Company's information by publishing annual reports, interim reports and announcements/publications |
| | | | — Disclosed corporate contact details on website and in reports and ensured all communication channels are available and effective |
| Employees | — Education and training | — Employee communication | — Provided a healthy and safe working conditions and environment |
| | — Career Development opportunities | — Training, seminars and briefing sessions | — Provided training to employee |
| | — Health and safety working environment | — Cultural and sport activities | — Provided employment and promotion practices that do not discriminate on grounds of gender, disability, pregnancy, family status, race, colour, religion, age or other conditions recognized in law |
| | — Safeguard the rights and interests of employees | — Intranet and emails | |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Stakeholder | Expectation | Engagement channel | Measures |
|------------------------|--|--|---|
| Customers | — Provide safe, high-quality products and services | — Website, brochures and annual report | — Provided quality and customized products and services |
| | — Stable relationship | — Email and customer service hotline | |
| | — Business ethics | — Complaint handling mechanism | |
| Suppliers/Partners | — Honest cooperation | — Suppliers' review and assessment | — Performed contracts according to agreements |
| | — Long-term partnership | — Regular meetings | |
| | — Information resources sharing | | |
| Public and communities | — Discharge social responsibilities | — Volunteering | — Carried out charitable activities |
| | — Community involvement | — Charity and social investment | |
| | | — Annual report | |

A. ENVIRONMENTAL ASPECTS

Aspect A1: Emissions

Due to the nature of our business, our Group's operations do not directly generate industrial pollutants, and as such our Group did not incur significant direct costs of compliance with applicable environmental protection rules and regulations in past years. The Board expects our Group will not directly incur significant costs for compliance with applicable environmental protection rules and regulations in the future.

Our emissions in our operations are subject to Malaysian law that are governed by the Environmental Quality Act 1974, through which a series of rules and regulations are overseen by the Malaysian "Ministry of Energy, Science, Technology, Environment & Climate Change". We continuously observe relevant laws and regulations in relation to environmental protection in the Malaysia and have been in strict compliance with them. The Group actively promotes green logistics and environmentally friendly policies in its efforts to support the better living of our communities and the development of a sustainable logistics system. These policies including environment policy, control of waste, control of chemicals and control of water, etc.

The Group is committed to reducing its impact on the environmental and its carbon footprint whilst pursuing our quest to deliver optimal logistics services to our customers. Consumption of fuel and energy has been a significant contributor to greenhouse gases as well as other environmental concerns. The Group has adopted various practical measures to reduce the use of natural resources (thus in turn reduce emissions) as mentioned in aspects "A2: Use of Resources" in this ESG Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Regarding waste, our hazardous waste produced was mainly consisted of certain chemical waste amounting to approximately 0.22 tons in the corresponding period (2020: Nil). Non-hazardous waste mainly includes commercial waste. They are separately stored and handled with ledger for record. In order to properly control the disposal of our production wastes, we formulated detailed environmental protection rules and guidance for our staff to follow during operation. We also engaged approved disposal contractors to process waste disposal and treatment, especially for hazardous waste, so as to minimize the impact on nature.

Thus, in light of the above mentioned, we believe that our operation does not generate hazards that have any significant adverse impact on the environment and our environmental protection measures are adequate to comply with all applicable current regulations in Malaysia.

During the Reporting Period, there was no material breach of or non-compliance with the applicable laws and regulations related to environmental protection.

Major air pollutants emissions from vehicles during the Reporting Period as follows:

| Air Pollutant Emission | | |
|------------------------|-------------------------------|-------|
| Type of Air Pollutants | Air Pollutant Emission (tons) | |
| | 2020 | 2019 |
| Sulphur Dioxide | 0.03 | 0.02 |
| Nitrogen Oxides | 26.94 | 15.17 |
| Particulate Matter | 1.94 | 1.09 |

During the Reporting Period, the greenhouse gas (“GHG”) emission from the operation is set out below:

| GHG Emission | | |
|--|--|-----------------|
| Type of GHG emissions | Equivalent CO ₂ emission (tons) | |
| | 2020 | 2019 |
| Scope 1 Direct emissions | 5,290.49 | 3,537.83 |
| Scope 2 Indirect emissions | 684.18 | 764.88 |
| Scope 3 Other indirect emissions | 24.26 | — |
| Total | 5,998.93 | 4,302.71 |
| Intensity (tons/Revenue RM'000) | 0.03 | 0.02 |

Note:

The calculation of the GHG gas is based on the “A Corporate Accounting and Reporting Standard” from The GHG Protocol.

Scope 1: Direct emissions from vehicles that are owned by the Group

Scope 2: Indirect emissions from the generation of purchased electricity and natural gas consumed by the Group

Scope 3 is additionally disclosed for the Reporting Period, and is mainly consisted of the indirect emissions from the paper waste disposal at landfills.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Hazardous and non-hazardous waste | | |
|--|----------------|----------------|
| | (tons) 2020 | (tons) 2019 |
| Hazardous waste | — | 0.22 |
| Non-hazardous waste | 120.00 | 108.00 |
| Total | 120.00 | 108.22 |
| Intensity (tons/Revenue RM'000) | 0.0005 | 0.0005 |

Aspect A2: Use of Resources

The Group places high priority on the efficient use of resources. The major resources used by the Group are fuels, electricity, water, and packaging materials. For usage of water, the Group did not encounter any problems in sourcing water that is fit for purpose. The Group strives to improve the efficient use of natural resources, such as minimising waste/emissions and implementing effective recycling program. Practical measures are implemented as follows.

- Switching off lights and turning off unnecessary energy-consuming devices such as air-conditioning system when staff leaves the office;
- Adopting LED lighting in some production workshops and offices;
- Promoting environmental protection such as saving water and electricity by slogan or poster in office and factories;
- Monitoring usage of water and electricity by designated department and checking for variance with past records;
- Encourage the use of paper by printing or photocopying on both sides of paper, where applicable;
- Using online office system to minimise the use of paper;
- Improving product packaging forms to conserve the consumption of carton materials;
- Collection of carton boxes for recycling purpose;
- Adopting “one vehicle one card” policy so as to monitor the usage of fuel by each vehicle and to avoid wastage by private usage;
- Comparing usage of natural resources with previous months and checking for variances noted;
- Regular maintenance of machineries and vehicles with good condition for operational efficiency;
- Strictly follow the procurement plan in order to avoid duplication of purchase and idle resources;
- Applying green technologies in our operations;
- Preference will be given to office equipment with relatively high energy efficiency; and
- Focus on quality management so as to reduce wastage and scrap for less pollution resulted.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy consumption by the Group during the Reporting Period is set out below:

| Energy Consumption | | |
|--|-----------------------|----------------------|
| Type of energy | Energy consumed (kWh) | |
| | 2020 | 2019 |
| Unleaded petrol | 730,027.03 | 810,227.60 |
| Diesel | 20,613,599.49 | 12,490,630.00 |
| Purchased electricity | 1,061,079.00 | 1,186,221.40 |
| Total | 22,403,705.52 | 14,487,079.00 |
| Energy intensity (kWh/Revenue RM'000) | 100.16 | 69.17 |

| Water Consumption | | |
|--|-------------|-------------|
| | (tons) | (tons) |
| | 2020 | 2019 |
| Running water consumed | 12,898.90 | 12,265.80 |
| Intensity (tons/Revenue RM'000) | 0.06 | 0.06 |

| Packaging materials | | |
|-----------------------------|----------|----------|
| Type of packaging materials | (tons) | (tons) |
| | 2020 | 2019 |
| Plastic | 1,214.19 | 923.58 |
| Paper | 495.55 | 445.44 |
| Metal | 1,262.09 | 1,095.75 |

Aspect A3: The Environment and Natural Resources

The Group raises staff's awareness on environmental issues through education and training and enlist employees' support in improving the Group's performance, promote environmental awareness amongst the customers, business partners and shareholders and support community activities in relation to environmental protection and sustainability and evaluate regularly and monitor past and present business activities impacting upon health, safety and environmental matters. With the integration of policies mentioned in sections "Emissions" and "Use of Resource", the Group strives to minimise the impacts to the environment and natural resources

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL ASPECTS

Aspect B1: Employment

The Group believes that a key to our success is our ability to recruit, retain, motivate and develop talented and experienced staff members. We endeavour to attract and retain appropriate and suitable personnel to serve our Group. Our group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group. The Group's human resources manual sets out our standards for compensation and dismissal, recruitment and promotion, working hours, rest periods, confidentiality, and other benefits and welfare.

We do not engage any recruitment agent to hire our staff. We have a recruitment policy in place to maintain a fair and effective recruitment procedure. Under such policy, we normally recruit employees with the appropriate skills, both technical and personal, in order to meet our current and future needs and to ensure that the employees appointed are qualified and competent to carry out the duties. We have always maintained a good working relationship with our employees.

We entered into individual labour contracts with each of our employees in accordance with the applicable labour laws of Malaysia, which cover matters such as wages, employee benefits and grounds for termination. The remuneration package our Group offers to our employees includes salary, bonuses, allowances and medical benefits. In general, we determine an employee's salary based on each employee's qualifications, experience and capability as well as the prevailing market remuneration rate.

Our Group considers that our employees play a pivotal role in our continuous growth. It is our policy to maximise the potential of our employees through training and development. Our Group provides both internal and external training related to logistics knowledge good customer service, safety and quality management and other useful topics. For new hires, our Group provides an induction training programme followed by on-the-job training during their probation period, and continually monitors their progress throughout the probation period. Our employee training and development aim at equipping our employees with the knowledge and skills necessary to perform their job functions and enhance their capability. We believe this will also increase the overall competitiveness of our workforce and can maintain good relationship with our employee as we believe that our employees are valuable assets to our Group.

During the Reporting Period, there were no material non-compliance regarding employment brought against the Group or its employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Below is a detailed breakdown of our employees by gender, age group and employment category as at 31 December 2020 and 2019:

| | 2020 | | 2019 | |
|-------------------------------|------------------------|-------------------|------------------------|-------------------|
| | <i>Number of staff</i> | <i>% of total</i> | <i>Number of staff</i> | <i>% of total</i> |
| By gender | | | | |
| Male | 320 | 65 | 320 | 66 |
| Female | 170 | 35 | 166 | 34 |
| Total | 490 | 100 | 486 | 100 |
| By age group | | | | |
| 30 or below | 229 | 47 | 247 | 51 |
| 31-40 | 171 | 35 | 159 | 33 |
| 41-50 | 67 | 13 | 58 | 12 |
| 51 or above | 23 | 5 | 22 | 4 |
| Total | 490 | 100 | 486 | 100 |
| By employment category | | | | |
| Contract or short term | 21 | 4 | 6 | 1 |
| Normal | 417 | 85 | 429 | 88 |
| Middle and Senior | 52 | 11 | 51 | 11 |
| Total | 490 | 100 | 486 | 100 |

Statistics of employees' turnover rate by gender and age group for the Reporting Period:

| | <i>% of total</i> |
|-----------------------------------|-------------------|
| Turnover rate by gender | |
| Male | 19 |
| Female | 25 |
| Total | 21 |
| Turnover rate by age group | |
| 30 or below | 29 |
| 31 — 40 | 16 |
| 41 — 50 | 12 |
| 51 or above | 9 |
| Total | 21 |

Aspect B2: Health and Safety

The Group places a strong emphasis on occupational safety of our staff. During the course of our business operations, our staff working at our warehouses are required to lift heavy objects and handle heavy mechanical equipment and our staff working at our flexitank production facilities are required to handle production machineries and equipment. They are provided with staff instructions manuals and supervision on-site to ensure their safety and health at work. We also provide regular internal and external trainings to our employees regarding operational and work safety.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Regarding insurance, our Group maintains insurance coverage against inherent risks arising out of our ordinary course of business, such as employees' compensation for personal injuries, property damages or losses, third-party liability and various other areas.

We have taken out road and integrated transit insurance policy with coverage normally required for a Non-vessel operating common carrier (“**NVOCC**”), freight forwarder and warehouse operator for protection against claims for cargo loss or damage and legal liability arising from accidents, with a limit of approximately RM1.0 million for each event.

We have also taken out a comprehensive general liability insurance policy with a limit of US\$10.0 million for a single incident against product liability covering various liability, such as personal injury, pollution fines and penalties due to manufacturing or installation defects and public liability covering all costs and expenses of third party litigation and claims that arise from the manufacturing or installation defects.

During the Reporting Period, there were 4 reported cases of injury (2019: Nil), resulting a total of 57 lost days (2019: Nil). There were no material non-compliance cases noted in relation to laws and regulations for health and safety.

Aspect B3: Development and Training

The Group recognises the importance of training for the development of our employees as well as our Group. We provide various types of trainings to our employees as mentioned in aspects “B1: Employment” and “B2: Health and Safety” in this ESG Report. We believe it is a win-win approach for achieving both employee and corporate goals as a whole.

Below is a detailed breakdown of the percentage of employees trained by gender and employment category during the Reporting Period and the corresponding period:

| | 2020 | 2019 |
|--|------|------|
| Employee trained by gender | | |
| Male | 68% | 64% |
| Female | 32% | 36% |
| Employee trained by employment category | | |
| Contract or short term | 2% | Nil |
| Normal | 72% | 86% |
| Middle and Senior | 26% | 14% |

The average training hours for employees by gender and employment category during the Reporting Period and the corresponding period are as follows:

| | Hours per employee | |
|-------------------------------|--------------------|-------|
| | 2020 | 2019 |
| By gender | | |
| Male | 3.50 | 7.28 |
| Female | 3.02 | 7.60 |
| By employment category | | |
| Contract or short term | 2.29 | Nil |
| Normal | 2.41 | 7.07 |
| Middle and Senior | 11.19 | 10.98 |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect B4: Labour Standards

The Group is fully aware that child labour and forced labour violate fundamental human rights and also pose threat to sustainable social and economic development. The Group strictly complies with relevant labour laws in Malaysia. The Group prohibits the use of child labour and forced labour that violate fundamental human rights and also poses threat to sustainable social and economic development. Employment contracts and other records, documenting all relevant details of the employees (including age) are properly maintained for verification by relevant statutory body upon request.

During the Reporting Period, we did not identify any issue related to child labor or forced labor within the Group.

Aspect B5: Supply Chain Management

The Group works closely with its customer, suppliers and subcontractors who are committed to high quality, environmental, health and safety standards. For selection of suppliers, in order to ensure the quality of our suppliers, we implement certain quality control procedures over our suppliers:

- (i) Suppliers selection — We maintain a list of approved suppliers which we review and update from time to time. We generally select independent suppliers based on their track record, their availability, ability or capability to handle the relevant orders, and the cost of service.
- (ii) Price and performance review — We review the performance, turnaround time and pricing terms offered by our suppliers on an annual basis before we decide to renew the contracts or otherwise. We also assess whether a supplier has sufficient resources and skills to fulfill our requirements. If any suppliers repeatedly fail to meet our quality standards without immediate rectification, we will terminate the agreement with the suppliers with immediate effect without compensation and we will not engage such suppliers again.
- (iii) Licences check — We will check whether the suppliers possess the relevant licences for operating their business.

Regarding subcontractors, we select our subcontractors based on various criteria, including relationship with us, familiarity with our customers' needs, price, quality, management team and labour resources. In order to monitor the performance of our subcontractors and the relevant laws, rules and regulations in Malaysia, we have put in place the following risk management and control measures:

- we arrange regular meetings with our subcontractors before the shipment in respect of delivery planning; and
- we require our subcontractors to provide consignees signed delivery rate for each completed delivery.

Thus, we believe there are no significant environmental and social risks for our management decision on supply chain management during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following is an analysis of the Group's number of suppliers by geographical location during the Reporting Period:

| | 2020 | 2019 |
|---|-------------|-------------|
| Number of suppliers by geographical area | | |
| South East Asia | 96% | 96% |
| Far East | 2% | 2% |
| Others | 2% | 2% |
| Total | 100% | 100% |

Aspect B6: Product Responsibility

Quality control

We believe that our quality control measures enable us to provide quality services to our customers. Our process and quality management team (the "PQM Team") is responsible for maintaining, compiling and reviewing our quality management procedures and other systematic documentations, and providing support to our employee training. We hold management review meetings regularly to discuss the results of external quality accreditation audits, review operations resources, follow up on customer feedback and complaints, and identify areas for improvement. Our PQM Team is also responsible for formulating and implementing standard operating procedures integrated into our operational processes in order to maximise the overall quality consistency of our services. When there is a deviation from the standard operating policy, our PQM team will step in to rectify the situation immediately. Our PQM team also actively participate in the problem solving activities with operations team to ensure all process deviations or customers highlights are promptly resolved ensuring the highest level of service possible. Generally, our PQM Team comprised several employees members led by a manager with more than 10 years of experience in the logistics industry in Malaysia. In addition to our PQM Team, our senior management team is actively involved in setting and reviewing quality policies and managing internal and external quality performance through customers and/or employees feedback.

Our quality control management system prepared by our PQM team mainly includes, but not limited to, the following elements:

- (i) Selection of suppliers and subcontractors — We maintain a list of approved suppliers which we review and update from time to time. For further details regarding the quality control on our suppliers, please refer to aspect "B5: Supply Chain Management" in this ESG Report.
- (ii) Operation — Every stage of our operation process is monitored by our process and quality management department to ensure that the operation process conforms to specific quality control requirements. Supervisors of different operation processes also carry out regular inspection.
- (iii) Process and quality planning — The product realisation and service provision processes (operations) are planned with adequate control points incorporated into the standard operating procedure and process owners monitor the operations are executed accordingly and institute corrective and preventive actions when deviation are detected to prevent any recurrence and occurrence.
- (iv) Facilities and equipment management — Regular inspections and maintenance are carried out by us to ensure the up-to-standard performance of our facilities and equipment.
- (v) Employee quality awareness — Regular trainings and continuous assessments of the performance of employee are conducted.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Additional quality control for our flexitank solution and related services

We believe that the quality of our flexitank solution and related services are crucial to our continued success. Hence, we place strong emphasis on achieving a consistently high quality for the flexitank to be used in the provision of our flexitank solution and related services. Our PQM team is responsible for the establishment, implementation and maintenance of our Group's quality management system in accordance with the international standards. It also assists in setting up the flexitank production quality control team which is responsible for conducting quality testing and inspection at the various stages of flexitank production from materials receiving, in-process assembly to finished product, ensuring the flexitanks produced are able to meet stringent requirements of our customers as well as the Quality Management System and Food Safety System that we are certified to, namely ISO 9001, FSSC 22000 and HACCP.

During the Reporting Period, there are no material disputes between our Group and our customers in respect of the quality of services provided by us and there were no cases of non-compliance against laws and regulations related to products responsibilities.

Aspect B7: Anti-Corruption

To ensure operation efficiency and employees' development in a fair and honest working environment, the Group has formulated whistleblowing policy in the corporate governance manual to promote business ethics and integrity so as to avoid suspected corruption, extortion and money laundering channel such as by letter and email for employees to report suspected corruption are provided. If there are any suspected case related to corruption, employees are encouraged to report the related cases through the mentioned channels. All these practical actions not only win the trust of customers, but also enhance the sense of belonging and fair play among our employees.

During the Reporting Period, 61 employees received training in relation to anti-corruption.

The Group has been in strict compliance with law and regulation related to anti-corruption. During the Reporting Period, there was no legal case regarding corrupt practices, extortion and money laundering brought against the Group or its employees.

Aspect B8: Community Investment

As a socially responsible company, the Group is committed to understanding the needs of the communities in which we operate. The Group strives to develop long-term relationship with our stakeholders and seek to make contributions to programmes that have a positive impact on community development.

The Group has made Charitable and other donations amounted to approximately RM102,000 during the Reporting Period (2019: RM70,000) in order to serve with care and concern for the underprivileged of the community.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is dedicated to maintaining and ensuring high standards of corporate governance practices and the corporate governance principles of the Company are adopted in the interest of the Company and its shareholders (the “Shareholders”).

The Company’s corporate governance practices are based on the principles and the code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Main Board Listing Rules (the “Listing Rules”) which is released by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

In the opinion of the directors of the Company (the “Directors”), the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code during the period from 21 January 2020 (the “Listing Date”) to 31 December 2020 and up to the date of this annual report, except for the following deviations and disclosed in the paragraph headed “Chairman and Chief Executive Officer” and “Company Secretary”.

Pursuant to code provision A.1.1 of the CG Code, the board of directors of the Company (the “Board”) should meet regularly and Board meeting should be held at least four times a year at approximately quarterly intervals. During the year ended 31 December 2020 (the “Reporting Period”), only two regular Board meetings were held to review and discuss various matters, including the annual results for the year ended 31 December 2019 and the interim results for the six months ended 30 June 2020. The Company does not announce its quarterly results and hence does not consider the holding of quarterly meetings as necessary.

Pursuant to code provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of Shareholders. The independent non-executive Directors, Mr. Chan Leng Wai (who resigned on 7 August 2020) and Mr. Tan Poay Teik were unable to attend the annual general meeting of the Company held on 29 May 2020 due to other commitments.

Directors’ Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiry of all Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the period from the Listing Date to 31 December 2020.

Board of Directors

Composition

The Directors who hold office during the Reporting Period and as at the date of this annual report are as follows:

Executive Directors

Dato’ Chan Kong Yew¹ (*Chairman and Chief Executive Officer*)

Dato’ Kwan Siew Deeg

Datin Lo Shing Ping¹

Datuk Tan Jyh Yaong² (appointed on 19 March 2021)

Mr. Yap Sheng Feng² (appointed on 7 August 2020 and re-designated on 31 December 2020)

CORPORATE GOVERNANCE REPORT

Independent Non-Executive Directors

Mr. Chan Leng Wai (resigned on 7 August 2020)
Mr. Li Chi Keung
Mr. Tan Poay Teik
Ms. Yeung Hoi Yan Monica (appointed on 7 August 2020)

Note:

1. Dato' Chan Kong Yew is the spouse of Datin Lo Shing Ping
2. Datuk Tan Jyh Yaong is the father-in-law of Mr. Yap Sheng Feng

The biographical details of the Directors are set out in the section headed "**Biographical Details of Directors and Senior Management**" on pages 36 to 39 of this annual report. Apart from the above, there is no relationship (including financial, business, family or other material or relevant relationships) amongst members of the Board.

Since the Listing Date, the Board has all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise, and independent non-executive Directors representing at least one-third of the Board.

The Company has received written confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Chairman and Chief Executive Officer

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dato' Chan Kong Yew ("**Dato' Chan**") is the chairman of the Board and the chief executive officer of the Company. In view that Dato' Chan is the founder of the Group and has been operating and managing the Group since the establishment of the Group, the Board believes that it is in the best interest of the Group to have Dato' Chan taking up both roles for effective management and business development.

Therefore, the Directors consider that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance.

Board Meetings

The Board should meet regularly and Board meetings should be at least four times a year at quarterly interval. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the articles of association of the Company (the "**Articles of Association**"). Notice of at least 14 days is given of a regular Board meeting to give all Directors an opportunity to attend.

CORPORATE GOVERNANCE REPORT

The Company was listed on the Main Board of the Stock Exchange on the Listing Date. During the Reporting Period, the number of meetings, including Board meetings, Board committee meetings, annual general meeting and the attendance by each Director is as follows:

| | Meeting attended | | | | Annual general meeting |
|--|------------------|-----------------|------------------------|----------------------|------------------------|
| | Board | Audit committee | Remuneration committee | Nomination committee | |
| Number of meetings held | 2 | 2 | 1 | 1 | 1 |
| <i>Executive Directors</i> | | | | | |
| Dato' Chan Kong Yew | 2 | N/A | N/A | 1 | 1 |
| Dato' Kwan Siew Deeg | 2 | N/A | 1 | N/A | 1 |
| Datin Lo Shing Ping | 2 | N/A | N/A | N/A | 1 |
| Datuk Tan Jyh Yaong ⁴ | N/A | N/A | N/A | N/A | N/A |
| Mr. Yap Sheng Feng ^{2,3} | 1 | 1 | N/A | N/A | N/A |
| <i>Independent Non-executive Directors</i> | | | | | |
| Mr. Chan Leng Wai ¹ | 1 | 1 | N/A | 1 | — |
| Mr. Li Chi Keung | 2 | 2 | 1 | 1 | 1 |
| Mr. Tan Poay Teik | 2 | 2 | 1 | N/A | — |
| Ms. Yeung Hoi Yan Monica ² | 1 | N/A | N/A | N/A | N/A |

Note:

1. resigned on 7 August 2020
2. appointed on 7 August 2020
3. re-designated on 31 December 2020
4. appointed on 19 March 2021

Board papers are circulated at least 3 days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. In addition, the Company has maintained a procedure for the Directors to seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company.

All Directors have full and timely access to all relevant information as well as the service of the company secretary of the Company (the "Company Secretary") to ensure the Board procedures and all applicable rules and regulations are followed.

The Company Secretary prepare minutes and keeps records of matters discussed and decisions resolved at all Board meetings. The Company Secretary also keeps the minutes, which are open for inspection at any reasonable time on reasonable notice by any Director.

CORPORATE GOVERNANCE REPORT

Appointment, Re-election and Removal of Directors

Each of the Directors (including independent non-executive Directors) has entered into a service contract or letter of appointment with the Company for a term of three years.

The Articles of Association provides that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his/her appointment and shall 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 AGM and shall then be eligible for re-election.

In accordance with the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least every three years. A retiring Director shall be eligible for re-election.

Directors' Responsibilities for Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner.

The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

The reporting responsibilities of the Company's external auditor on the financial statements of the Group are set out in the section headed "**Independent Joint Auditors' Report**" in this annual report.

Responsibilities of and Delegation by the Board

The major powers and functions of the Board include, but are not limited to, convening the general meetings, presenting reports to the general meetings, implementing the resolutions passed at the general meetings, determining the operational plans and investment plans of the Group, determining the annual financial budgets and final accounts of the Group, determining the fundamental management system of the Group, formulating profit distribution plans and loss recovery plans of the Group, and exercising other powers and functions as conferred by the Articles of Association.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective function.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation of the Group and management of the Company are delegated to the management of the Company.

The Board and the management have clearly defined their authorities and responsibilities under various internal control and check and balance mechanisms. The Board does not delegate matters to the Board committee(s), executive Directors or the management to an extent that would significantly hinder or reduce the ability of the Board as a whole to perform its function.

CORPORATE GOVERNANCE REPORT

Directors' Training

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

All Directors are encouraged to participate in continuous professional development activities by ways of attending training and/or reading materials relevant to the Company's business or to the Directors' duties and responsibilities. A summary of professional trainings received by the Directors for the Reporting Period according to the records provided by the Directors is as follows:

Attending training session and/ or reading materials relevant to the business or directors' duties

| | |
|----------------------------------|-----|
| Dato' Chan Kong Yew | ✓ |
| Dato' Kwan Siew Deeg | ✓ |
| Datin Lo Shing Ping | ✓ |
| Datuk Tan Jyh Yaong ¹ | N/A |
| Mr. Yap Sheng Feng | ✓ |
| Mr. Li Chi Keung | ✓ |
| Mr. Tan Poay Teik | ✓ |
| Ms. Yeung Hoi Yan Monica | ✓ |

Note 1: appointed on 19 March 2021

Corporate Governance Functions

The Board recognises that corporate governance ("CG") should be the collective responsibility of Directors and their CG duties include:

- to approve and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to review and monitor the code of conduct and compliance (if any) applicable to the Directors and employees; and
- to review the Company's compliance with the code provisions of the CG Code and disclosure in the CG Report under the Listing Rules.

The Board has reviewed the policies and practices on CG and this CG report.

CORPORATE GOVERNANCE REPORT

Board Committees

The Board has established three Board committees in accordance with the relevant laws and regulations and the corporate governance practice under the Listing Rules, including the audit committee (the “**Audit Committee**”), remuneration committee (the “**Remuneration Committee**”) and nomination committee (the “**Nomination Committee**”).

Audit Committee

The Audit Committee currently consists of three independent non-executive Directors. During the Reporting Period and as at the date of this annual report, the members of the Audit Committee were as follows:

Mr. Li Chi Keung
Mr. Tan Poay Teik
Mr. Yap Sheng Feng (appointed on 7 August 2020 and retired on 31 December 2020)
Ms. Yeung Hoi Yan Monica (appointed on 31 December 2020)
Mr. Chan Leng Wai (resigned on 7 August 2020)

Mr. Tan Poay Teik who possesses the appropriate accounting qualification and financial management expertise, currently serves as the chairman of the Audit Committee.

The Audit Committee is mainly responsible for (a) maintaining the relationship with the Company’s auditor; (b) reviewing the Company’s financial information; and (c) overseeing the Company’s financial reporting system, risk management and internal control systems. The full version of the terms of reference of the Audit Committee is available on the Stock Exchange’s website at “www.hkexnews.hk” and the Company’s website at “www.infinity.com.my”.

Details of attendance of the meetings of the Audit Committee are set out in the sub-section headed “**Board Meetings**” of the section headed “**Board of Directors**” above. The following matters were dealt with at the said meetings or by way of written resolutions:

- reviewing the consolidated financial statements for the year ended 31 December 2019 and the annual results announcement;
- reviewing the interim consolidated financial statements for the six months ended 30 June 2020 and the interim results announcement;
- reviewing the significant audit and accounting issues arising from the external auditor’s audit;
- considering the appointment of the external auditor and their audit fees; and
- meeting with the external auditor without the presence of management to discuss issues arising from the audits and any other matters the auditor might wish to raise.

The annual results for the Reporting Period have been reviewed by the Audit Committee before submission to the Board for approval. In addition, the Audit Committee has reviewed the Group’s risk management and internal control system as at the date of this annual report.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Nomination Committee currently consists of two independent non-executive Directors and one executive Director. During the Reporting Period and as at the date of this annual report, the members of the Nomination Committee were as follows:

| | |
|--------------------------|------------------------------|
| Mr. Tan Poay Teik | (appointed on 7 August 2020) |
| Ms. Yeung Hoi Yan Monica | (appointed on 7 August 2020) |
| Dato' Chan Kong Yew | |
| Mr. Li Chi Keung | (retired on 7 August 2020) |
| Mr. Chan Leng Wai | (resigned on 7 August 2020) |

Dato' Chan Kong Yew currently serves as the chairman of the Nomination Committee.

The Nomination Committee is mainly responsible for (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement of the Company's corporate strategy; (b) identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated of directorships; (c) making recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for Directors in particular the chairman of the Board and the CEO; and (d) assessing the independence of the independent non-executive Directors. The full version of the terms of reference of the Nomination Committee is available on the Stock Exchange's website at "www.hkexnews.hk" and the Company's website at "www.infinity.com.my".

Details of attendance of the meeting of the Nomination Committee are set out in the sub-section headed "**Board Meetings**" of the section headed "**Board of Directors**" above. The following matters were dealt with at the said meeting or by way of written resolutions:

- to consider the proposed appointment of Directors;
- to assess the independence of the independent non-executive Directors;
- to consider the re-election of Directors; and
- to review the composition of the Board.

No member took part in voting on his re-election of Director at the meeting.

Remuneration Committee

The Remuneration Committee currently consists of two independent non-executive Directors and one executive Director. During the Reporting Period and as at the date of this annual report, the members of the Remuneration Committee were as follows:

| | |
|--------------------------|------------------------------|
| Mr. Li Chi Keung | (retired on 7 August 2020) |
| Mr. Tan Poay Teik | |
| Dato' Kwan Siew Deeg | |
| Ms. Yeung Hoi Yan Monica | (appointed on 7 August 2020) |

Mr. Tan Poay Teik currently serves as the chairman of the Remuneration Committee.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee is mainly responsible for (a) making recommendations to the Board on the Company's policy and structure for all Directors, the senior management of the Group and on the establishment of a formal and transparent procedure for developing remuneration policy; (b) determining, making recommendations to the Board, considering and approving the remuneration package of individual executive Directors and senior management and the compensation arrangements relating to loss or termination of office or appointment; and (c) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives. The full version of the terms of reference of the Remuneration Committee is available on the Stock Exchange's website at "www.hkexnews.hk" and the Company's website at "www.infinity.com.my".

Details of attendance of the meeting of the Remuneration Committee are set out in the sub-section headed "**Board Meetings**" of the section headed "**Board of Directors**" above. The following matters were dealt with at the said meeting or by way of written resolutions:

- to review and discuss the remuneration packages for the Directors and senior management of the Company; and
- to consider and approve the remuneration packages for the proposed Directors.

No member took part in voting on his own remuneration at the meeting.

The annual remuneration of members of the senior management (including all executive Directors) by band for the Reporting Period is set out below:

| Annual remuneration band | Number of persons |
|--------------------------|-------------------|
| Nil to RM500,000 | 5 |

Board Diversity Policy

The Group adopted a board diversity policy (the "**Board Diversity Policy**"). A summary of this policy are disclosed as below:

The purpose of the Board Diversity Policy is to set out the basic principles to be followed to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of CG.

The Nomination Committee has primary responsibility for identifying candidates, formulating selection standards and procedures, and examining candidates for directors and senior management of the Company, and providing recommendations on the selection. The Nomination Committee will give adequate consideration to this policy in identifying and selecting suitably qualified candidates to become directors of the Company.

Selection of director candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience.

The Nomination Committee is responsible for reviewing the Board Diversity Policy, developing and reviewing measurable objectives for implementing the policy and monitoring the progress on achieving these measurable objectives. The Nomination Committee shall review the Board Diversity Policy and the measurable objectives at least annually to ensure the continuing effectiveness of the Board.

CORPORATE GOVERNANCE REPORT

As at 31 December 2020, the Company had a total of 7 Directors, covering different gender and have a broad age distribution. There is a diverse mix of experience and background including logistics, administration, finance and accounting. The Nomination Committee has reviewed the Board Diversity Policy and considers that, appropriate balance has been stricken among the Board members in terms of skills, experience and perspectives.

Nomination Policy

The Company adopted a policy for nomination, pursuant to which, the Nomination Committee shall advise the Board on the appointment of any director in accordance with the following procedures and process:

1. Appointment of new Director

- a) The Nomination Committee and/or the Board may select candidate for directorship from various channel, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents, and should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. If an independent non-executive director is to be appointed, the Committee and/or the Board will also assess and consider whether the candidate can satisfy the independence requirements as set out in the Listing Rules.
- b) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).
- c) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.
- d) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of director at the general meeting.

2. Re-election of Director at general meeting

- a) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and his/her level of participation and performance on the Board.
- b) The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above. If an independent non-executive director is subject to the re-election, the Nomination Committee and/or the Board will also assess and consider whether the independent non-executive director will continue to satisfy the independence requirements as set out in the Listing Rules.
- c) The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of director at the general meeting.

CORPORATE GOVERNANCE REPORT

In assessing the candidates, the Nomination Committee shall take into the following factors, including but not limited to:

1. character and integrity;
2. qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the board diversity policy that are relevant to the Company's business and corporate strategy;
3. any measurable objectives adopted for achieving diversity on the Board;
4. any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
5. willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
6. such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Committee from time to time for nomination of directors and succession planning.

Risk Management and Internal Control

The Company conducts an annual review on whether there is a need for an internal audit department. Given the Group's simple operating structure, as opposed to a separate internal audit department, the Board is directly responsible for the establishment, maintenance and review of the Group's systems of internal controls and risk management throughout the Reporting Period and their effectiveness. The Company has engaged an external independent professional advisory firm (the "**Independent Advisor**") to review the effectiveness and adequacy of risk management and internal control systems for the Reporting Period so as to ensure the effectiveness and adequacy of risk management and internal controls systems. The Independent Advisor had reviewed and analysed all material controls of the Group, including financial, operational and compliance controls and their associated risks. The reports from the Independent Advisor were presented to and reviewed by the Audit Committee and the Board. The internal audit service was also rendered by the Independent Advisor.

The Board considered the risk management and internal control systems of the Group to be adequate and effective for the Reporting Period. The Board also conducted a review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget which are considered to be adequate for the Reporting Period.

The Board wishes to emphasize that risk management and internal control systems are designed to manage, rather than eliminate, risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Group strictly follows the requirements of the Securities and Futures Ordinance of Hong Kong (the "**SFO**") and the Listing Rules and ensures that inside information is disclosed to the public as soon as reasonably practicable unless the information falls within any of the safe harbours of the SFO. Before inside information is fully disclose to the public, such information is kept strictly confidential. In addition, the Group adopted the policy of disclosing relevant information only to appropriate staff within the Group.

CORPORATE GOVERNANCE REPORT

Auditors' Remuneration

The remunerations paid or payable to the joint auditors of the Company, Mazars CPA Limited and Mazars LLP, in respect of audit and non-audit services provided to the Group during the Reporting Period are set out below.

| | <i>RM'000</i> |
|---|---------------|
| Annual audit for the year ended 31 December 2020 | 450 |
| Agreed-upon procedures on interim financial information for the six months ended 30 June 2020 | 65 |

SHAREHOLDERS' RIGHTS

The Company encourages the Shareholders to attend the general meetings of the Company. The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

The Procedures for Shareholders to Convene an Extraordinary General Meeting ("EGM") and for Putting Forward Proposals at General Meeting

Pursuant to Article 64 of Articles of Association, extraordinary general meeting of the Company shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company at the Company's head office or principal place of business in Hong Kong, for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition and signed by the requisitionist(s) (the "**Requisitionists**")

Such meeting shall be held within two months after the deposit of such requisition. If within 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) of the Company.

Shareholders may at any time put forward their enquiries (including the procedures for putting forward proposals at general meetings of the Company) to the Board in writing and the contact details are as follows:

Infinity Logistics and Transport Ventures Limited
Unit B, 13/F, Winsan Tower,
98 Thomson Road,
Wan Chai,
Hong Kong.

The Procedures for Shareholders to Propose for Election as a Director of the Company

Article 113 of the Articles of Association provides that no person, other than a retiring director of the Company, shall, unless recommended by the board of directors of the Company for election, be eligible for election to the office of director of the Company at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodging the notices as required under the Articles of Association will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

CORPORATE GOVERNANCE REPORT

Accordingly, if a shareholder wishes to nominate a person to stand for election as a director of the Company at the general meeting, the following documents must be validly served at the Company's principal place of business in Hong Kong or the Branch Share Registration and Transfer Office, namely (1) his/her notice of intention to propose a resolution at the general meeting; (2) a notice signed by the nominated candidate of his/her willingness to be elected; (3) the nominated candidate's information as required to be disclosed under Rule 13.51(2) of the Listing Rules; and (4) the nominated candidate's written consent to the publication of his/her personal data.

Investor Relations and Communication with Shareholders

The Board established a Shareholders' communication policy to ensure that Shareholders and potential investors are provided with ready, equal and timely access to information of the Company.

The Company has maintained a corporate website at www.infinity.com.my through which the Company's updated financial information, business development, announcements, circulars, notices of meetings, press releases and contact details can be accessed by the Shareholders and investors.

Dividend Policy

Payment of any future dividends will be made at the discretion of the Board and will be based upon the earnings, cash flows, financial condition, capital requirement, statutory fund reserve requirements and any other conditions that the Directors consider relevant. The declaration, payment and amount of any future dividends will be subject to the constitutional documents of the Company including, where necessary, the approval of the Shareholders.

Company Secretary

Mr. Lau Wai Piu Patrick ("**Mr. Lau**") was appointed as the Company Secretary on 29 May 2019. Mr. Lau has confirmed that he received not less than 15 hours of relevant professional training during the Reporting Period.

Pursuant to code F.1.1 of the CG Code, the Company can engage an external service provider as its company secretary, provided that the Company should disclose the identity of a person with sufficient seniority at the Company whom the external provider can contact. Mr. Lau does not act as an individual employee of the Company, but as an external service provider in respect of the appointment of Mr. Lau as the company secretary of the Company. In this respect, the Company has nominated Dato' Chan as its contact point for Mr. Lau.

While the Company is well aware of the importance of the company secretary in supporting the Board on governance matters, the Company, after having considered Mr. Lau's employment at Ascent Corporate Services Limited, which provides corporate advisory and company secretarial services, both the Company and Mr. Lau are of the view that there will be sufficient time, resources and supporting for fulfilment of the company secretary requirements of the Company.

In view of Mr. Lau's experience in accounting and company secretarial functions and with stock exchange rules and regulations, the Directors believe that Mr. Lau has the appropriate accounting and company secretarial expertise for the purposes of Rule 8.17 of the Listing Rules.

Constitutional Documents

The Articles of Association were approved on 14 December 2019 by special resolution and with effect from the Listing Date. Save as disclosed therein, there were no significant changes in the constitutional documents of the Company during the Reporting Period and up to the date of this annual report.



CORPORATE GOVERNANCE REPORT

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

With effect from 1 January 2021, each of Dato' Chan Kong Yew, Dato' Kwan Siew Deeg and Datin Lo Shing Ping has entitled to an annual Director's fee of HK\$120,000.

Save as aforesaid and the announcements of the Company dated 31 December 2020 and 19 March 2021, there were no other changes to the Director's information that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Dato' Chan Kong Yew, aged 48, was appointed as an executive Director, chief executive officer and the chairman of the Board on 29 May 2019. He is also the chairman of the Nomination Committee. Dato' Chan established Infinity Logistics & Transport Sdn. Bhd., which commenced business in 2003, and he is currently the managing director of the Group. He is responsible for the Group's overall business planning and operational development, planning and execution of business strategic direction. He also identifies opportunities for the business growth of the Group for expansion, ensures implementation of the governance and risk management policies for corporate sustainability, establishes and maintains effective formal and informal relationship with all the major stakeholders and ensures budgetary control across the Group. Dato' Chan is also a director of several subsidiaries of the Group.

Dato' Chan has over 24 years of experience in the logistics industry. Prior to founding Infinity Logistics & Transport Sdn. Bhd., he was employed by Union Transport (M) Sdn. Bhd. as a branch executive from March 1996 to October 1996 where he was responsible for managing day-to-day air freight and sea freight operation. He then worked as a warehouse manager of Target Warehouse (M) Sdn. Bhd. from November 1996 to February 1997 where he was responsible for managing sea freight and bonded warehouse operation. From February 1997 to February 2003, he was employed by TS Warehouse & Distribution Sdn. Bhd. as the business development director where he was responsible for overseeing the rail transport business of the company. Attributed to his reputation in the logistics industry in Malaysia, he has been appointed as a member of the board of directors of the following statutory bodies in Malaysia: Perbadanan Stadium Malaysia from October 2018, director of Johor Port Commission and Penang Port Commission in January 2019, director of Johor Port Commission (Tg Pelepas) and director of Port of Penang Port Commission Telok Ewa in March 2019. He is also a director of a number of private companies such as real estate holding companies and investment properties. Dato' Chan was an independent non-executive director of Boustead Plantations Bhd (a company listed on Malaysia Stock Exchange (stock code: 5254)) during the period from 22 July 2019 to 24 June 2020.

Dato' Chan obtained a bachelor's degree in social science majoring in political science from the Universiti Sains Malaysia in August 1996. He became a chartered member of The Chartered Institute of Logistics and Transport in December 2006. Dato' Chan is the spouse of Datin Lo Shing Ping.

Dato' Kwan Siew Deeg, aged 48, was appointed as an executive Director on 29 May 2019. He is also a member of the Remuneration Committee. Dato' Kwan joined the Group in January 2004 and he is responsible for overseeing the Group's operational processes, ensuring proper operational controls are in place, and optimizing the capabilities to achieve operational efficiency. Besides that, he also leads the implementation of the business and marketing strategies to improve the Group's sales by developing new customers and retaining existing customers. Dato' Kwan is also a director of several subsidiaries of the Group.

He has been instrumental in helping the Group to be awarded the Silver Award for Best Innovation by the Star Business Awards 2014, by introducing and promoting the 20' HC Container to the market, providing better payload and offering lower shipping cost per cubic meter to the shippers. Dato' Kwan has over 19 years of experience in the logistics industry. Prior to joining the Group from March 1995 to January 2000, he was a production planning executive at Delloyd Industries Sdn Bhd, an automotive parts manufacturer, and was responsible for supply chain management from procuring material for production to delivery to customers. He was later employed by Dolphin Shipping Agency Sdn. Bhd. as a sales executive from January 2000 to June 2001 where he was responsible for handling shipping documentation and shipment related operations. From June 2001 to December 2003, he was employed as sea division manager of TS Freight Services Sdn. Bhd. where he has been exposed to the various aspects of the shipping sector and gained knowledge in the management of containerised transportation. He is also a director of a number of private companies such as investment and property holding companies.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

He holds a Diploma in Business Administration from the Binary College in December 1994. Dato' Kwan is the brother of Ms. Kwan Siew Mun.

Datin Lo Shing Ping, aged 47, was appointed as an executive Director on 29 May 2019. She joined the Group in March 2003 and is the administration director of the Group overlooking the development of the Group's general administration policies and procedures and human resources matters, ensuring the internal controls measures are duly implemented throughout the organization as well as providing leadership in development of the Group's human resources through conducting effective recruitment, training and succession planning programs.

Datin Lo was employed by Vertitech (M) Sdn. Bhd. as an administration executive from March 1998 to May 1999. From May 1999 to April 2001, she worked in Yongshen HeatTreatment Sdn. Bhd. as a sales executive. She was employed by Casco Décor Sdn. Bhd. as a sales executive from May 2001 to November 2001.

Datin Lo obtained a bachelor's degree of art from the Universiti Sains Malaysia in July 1998. She became a chartered member of The Chartered Institute of Logistics & Transport in December 2006. Datin Lo is the spouse of Dato' Chan Kong Yew.

Datuk Tan Jyh Yaong, aged 56, was appointed as an executive Director on 19 March 2021. He is a director of Perfect (China) Co., Ltd., a company incorporated in PRC and its principal activities are mainly engaged in selling of health food, small kitchenware, cosmetics, cleaning supplies and personal care products. Datuk Tan is mainly responsible for the management and development of the company.

Datuk Tan is also the Chairman of Perfect Hexagon Limited ("Perfect Hexagon"), a well-established commodity trading company based in Hong Kong, which has strong regional presence in Asia and network offices in Europe, Australia and South America. In addition, Perfect Hexagon is the most active liquidity provider for HKEX LME Minis and Precious Metals contracts. Datuk Tan has built an extensive network in various industries worldwide. These industries cover mining, refineries, commodity trading, agriculture, hospitality and healthcare.

Datuk Tan currently serves as the board members of various social and non-profit organisations. He is the President of Asia Pacific Tsinghua CEO Chambers of Commerce and Industry Berhad, the Vice President of Malaysia-China Friendship Association and Malaysia China Diplomatic Proponent Association, and the Deputy President of Malaysia-China Culture & Arts Association. Meanwhile, Datuk Tan is the Advisor of Association of Belt & Road Malaysia, and the Honorary Advisor of The Association of Graduates from Tsinghua University, Malaysia.

Datuk Tan is the father-in-law of Mr. Yap Sheng Feng.

Mr. Yap Sheng Feng, aged 29, was appointed as a non-executive Director on 7 August 2020 and re-designated to an executive Director on 31 December 2020. He is also a director of an indirectly wholly owned subsidiary of the Company currently.

He graduated with a Bachelors of Commerce from The Australian National University in 2014. Mr. Yap enrolled in Tsinghua University's Business Leadership Program for overseas Chinese, completed in October 2014. Thereafter, he joined Multiway Trading Limited in 2016 where he was involved in the buying and selling of physical commodities whilst developing new business opportunities for the company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yap joined Perfect Hexagon Group in 2017 and was promoted to hold a significant role, i.e. Corporate Liaison of Perfect Hexagon Group in 2018. Mr. Yap attends all key meetings and have up-to-date knowledge of company projects and businesses. He provides top-quality advice, assistance to project planning, coordination, monitoring and reporting in any company collaborations. He also facilitates effective knowledge management and communication between the company, shareholders and investors. Mr. Yap was involved in the planning and execution of the onboarding process as market makers and members for commodity associations and exchanges including Hong Kong Exchanges and Clearing Limited (HKEX), London Metals Exchange (LME), Chicago Mercantile Exchange (CME), Bursa Malaysia Derivatives Berhad (Bursa), and Singapore Bullion Market Association (SBMA). Mr. Yap has also successfully completed USD 300 million bond issuance program for Perfect Hexagon Group in 2018.

Mr. Yap is the son-in-law of Datuk Tan Jyh Yaong.

Independent Non-Executive Directors

Mr. Li Chi Keung, aged 63, was appointed as an independent non-executive Director on 14 December 2019. He currently serves as a member of the Audit Committee.

Mr. Li has over 32 years of experience in the logistics industry. He joined the OOCL group of companies from November 1988 to November 2007. He worked in one of the OOCL group of companies in Hong Kong from November 1988 to August 1994 and was transferred to the United States in September 1994 as pricing manager. He then rejoined the Hong Kong office of OOCL group in July 2000 with his last position as general manager. From November 2007 to present, he worked for the group companies of Mitsui O.S.K Lines Ltd which is listed on the Tokyo Stock Exchange (stock code: 91040) and his current position is trade consultant. During his employment with Mitsui O.S.K Lines Ltd, he was seconded to Malaysia from February 2014 to March 2017 as country director.

Mr. Li obtained a bachelor's degree in business studies from the Bolton University in August 2004 and a master's degree in international shipping and transport logistics from the Hong Kong Polytechnic University in October 2008.

Mr. Tan Poay Teik, aged 35, was appointed as an independent non-executive Director on 14 December 2019. He is the chairmen of the Audit Committee and Remuneration Committee. He is also a member of the Nomination Committee.

Mr. Tan was employed by Greenfield Partners, an accounting firm based in Australia, as an accountant from August 2009 to January 2011. He then worked for Ernst & Young from January 2011 to July 2015 with his last position as assistant manager. He joined The Commons, a shared workspace provider based in Melbourne, Australia, and is currently the chief financial officer and director of the company where he is responsible for overseeing the financial activities and the overall operation of the company.

Mr. Tan obtained a bachelor's degree in commerce and a bachelor's degree in arts (media and communications) from the University of Melbourne in December 2008 and a graduate diploma of chartered accounting from The Institute of Chartered Accountants in Australia in April 2012. He became a member of Chartered Accountants Australia and New Zealand in September 2012.

Ms. Yeung Hoi Yan Monica, aged 40, was appointed an independent non-executive Director on 7 August 2020. She currently is the members of Audit Committee, Remuneration Committee and Nomination Committee.

Ms. Yeung obtained a Bachelor of Arts in Management Studies in 2003 from the Leeds University Business School in the United Kingdom. She finished the Diploma Programme in Neuro-Linguistic Communication and Business Management in 2006 at the School of Continuing and Professional Studies at The Chinese University of Hong Kong. She then went on to earn her Master of Housing Management in 2011 from the University of Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Yeung first worked for Urban Property Management Ltd., Hong Kong, as a Senior Property Asset Officer from October 2003 to July 2008. Afterwards, she was employed at Complete Ltd., Hong Kong, as a Lettings and Management Officer between July 2008 and October 2009. She then returned to Urban Property Management Ltd. as an Assistant Property Manager from December 2009 to May 2012. At Fair & Square Insurance Broker Company Ltd., Hong Kong, Ms. Yeung was an Independent Financial Advisor between June 2012 and February 2014. Following, was a position with Manulife (International) Ltd., Hong Kong as a Financial Planning Manager from March 2014 to the present. She also joined Mywayz Ltd. in October 2016 as a director to the present.

Senior Management

Ms. Kwan Siew Mun, aged 54, joined the Group in November 2005 and is currently the customer service and procurement senior manager of the Group. She is responsible for overseeing internal quality control for the Group's systems, procedures, and processes, ensuring optimal operational efficiency and improvements, and customer relationship management, as well as overseeing and managing the operations and activities of the procurement function of Infinity Bulk Logistics (MY).

Ms. Kwan has over 25 years of experience in the logistics industry. From 1986 to 1997, she was employed by Tuck Sun & Co. (Malaysia) Sdn. Bhd. with her last position as warehouse executive. She joined the Group in November 2005 as a customer service manager and was promoted to her current position in July 2012.

Ms. Kwan obtained a diploma in business administration from The Association of Business Executive in June 1996. Ms. Kwan is the sister of Dato' Kwan Siew Deeg.

Company Secretary

Mr. Lau Wai Piu Patrick, aged 47, was appointed as the company secretary of the Company on 29 May 2019.

Mr. Lau has over 20 years of experience in aspect of financial reporting, accounting and auditing. He obtained a higher diploma in accountancy from the City University of Hong Kong in November 1997 and a master's degree of arts in international accounting from the same university in November 2002. He was admitted as a fellow of the Association of Chartered Certified Accountants in July 2005 and a fellow of the Hong Kong Institute of Certified Public Accountants in September 2007.



DIRECTORS' REPORT

The Directors are pleased to present to the shareholders of the Company (the “Shareholders”) their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “Reporting Period”).

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Particulars of the Company’s principal subsidiaries are set out in Note 13 to the consolidated financial statements.

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 57 of this annual report.

DIVIDEND

An interim dividend of US\$0.0007 per ordinary share was paid during the Reporting Period. The Directors do not recommend the payment of a final dividend for the Reporting Period.

BUSINESS REVIEW

A fair review of the business of the Group during the Reporting Period and a discussion on the Group’s future business development are set out in the section headed “Chairman’s Statement” and “Management Discussion and Analysis” on pages 5 to 10 of this annual report.

The above discussions form part of this directors’ report.

PRINCIPAL RISKS AND UNCERTAINTY

Risk associated with financial instruments of the Group

The financial risk management objectives and policies of the Group are set out in Note 29 to the consolidated financial statements.

Key sources of estimation uncertainty

Details of the key sources of estimation uncertainty as at 31 December 2020 are set out in Note 2 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Reporting Period, there was no material breach of or non-compliance with the applicable of relevant laws and regulations by the Group.



DIRECTORS' REPORT

RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND EMPLOYEES

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. The Group enjoy good relationships with suppliers and customers with mutual trust. Accordingly, the management have kept good communications, promptly exchanged ideas and shares business update with them when appropriate. During the Reporting Period, there were no material and significant dispute between the Group and its suppliers and/or customers.

The employees play a pivotal role in the Group's continuous growth. The Group provides both internal and external training related to logistics knowledge, good customer service, safety and quality management and other useful topics to the employees. The Group have always maintained a good working relationship with the employees. During the Reporting Period, none of the employees had any labour dispute or claim involving and against the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavors to comply with the laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

Further details of the Group's environmental policies and performance are set out in the Environmental, Social and Governance Report of the Company on pages 11 to 22 of this annual report.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out in Note 25(b) to the consolidated financial statements and in the consolidated statement of changes in equity on page 60 of this annual report, respectively.

DONATIONS

Charitable and other donations made by the Group during the Reporting Period amounted to approximately RM102,000.

MATERIAL INVESTMENT AND ACQUISITION

The Group had no significant investment and acquisition activities during the Reporting Period.

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 December 2020 are set out in Note 21 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the Reporting Period and details of the Group's property, plant and equipment are set out in Note 14 to the consolidated financial statements.

DIRECTORS' REPORT

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in Note 24 to the consolidated financial statements.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report relating to the "Share Option Scheme", no equity-linked agreements were entered into by the Company during the Reporting Period or subsisted at the end of the Reporting Period.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force.

DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report were:

Executive Directors

Dato' Chan Kong Yew ("**Dato Chan**") (*Chairman and Chief Executive Officer*)

Dato' Kwan Siew Deeg ("**Dato Kwan**")

Datin Lo Shing Ping ("**Datin Lo**")

Datuk Tan Jyh Yaong⁴

Mr. Yap Sheng Feng^{1,3}

Independent Non-Executive Directors

Mr. Chan Leng Wai²

Mr. Li Chi Keung

Mr. Tan Poay Teik

Ms. Yeung Hoi Yan Monica¹

Note:

- 1 appointed on 7 August 2020
- 2 resigned on 7 August 2020
- 3 re-designated on 31 December 2020
- 4 appointed on 19 March 2021

DIRECTORS' REPORT

In accordance with Article 108(a) of the articles of association of the Company (the "**Articles of Association**"), each of Dato' Kwan and Datin Lo shall retire by rotation at the annual general meeting of the Company (the "**AGM**") and, being eligible, have offered himself/herself for re-election.

In accordance with Article 112 of the Articles of Association, each of Mr. Yap Sheng Feng, Ms. Yeung Hoi Yan Monica and Datuk Tan Jyh Yaong shall hold office until the forthcoming AGM and, being eligible, have offered himself/herself for re-election.

None of the Directors offering themselves for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interests and short positions of each Director and CEO in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 Model Code were as follows:

(i) **Interest in the shares of the Company:**

| Name of Directors | Capacity | Number and class of securities ⁽¹⁾ | Approximate percentage of the issued shares |
|---------------------------|---|---|---|
| Dato' Chan ⁽²⁾ | Interest in a controlled corporation; interest held jointly with another person | 1,417,500,000 ordinary shares | 70.88% |
| Dato' Kwan ⁽²⁾ | Interest in a controlled corporation; interest held jointly with another person | 1,417,500,000 ordinary shares | 70.88% |
| Datin Lo ⁽³⁾ | Interest of spouse | 1,417,500,000 ordinary shares | 70.88% |
| Mr. Yap Shing Feng | Beneficial interest and interest of spouse | 42,340,000 ordinary shares | 2.12% |

Notes:

- (1) Interests in shares stated above represent long positions.
- (2) 2926 Holdings Limited ("**2926 Holdings**") is the registered and beneficial owner holding approximately 70.88% of the issued Shares of the Company. The issued share capital of 2926 Holdings is owned as to 63.9% by Dato' Chan and 36.1% by Dato' Kwan. On 29 May 2019, Dato' Chan and Dato' Kwan entered into the concert parties confirmatory deed (the "**Concert Parties Confirmatory Deed**") to acknowledge and confirm, among other things, that they are parties acting in concert (having the meaning ascribed to it under the Takeover Code). By virtue of the Concert Parties Confirmatory Deed, each of Dato' Chan and Dato' Kwan is deemed to be interested in the Shares held by 2926 Holdings under the SFO.
- (3) Datin Lo is the spouse of Dato' Chan and is deemed, or taken to be, interested in the Shares which Dato' Chan is interested under the SFO.

DIRECTORS' REPORT

(ii) Interests in the shares of an associated corporations of the Company

| Name of Directors | Name of associated corporation | Capacity | Number of share held ⁽¹⁾ | Approximate percentage of the issued shares |
|-------------------------|--------------------------------|--------------------|-------------------------------------|---|
| Dato' Chan | 2926 Holdings | Beneficiary owner | 604 | 63.92% |
| Dato' Kwan | 2926 Holdings | Beneficiary owner | 341 | 36.08% |
| Datin Lo ⁽²⁾ | 2926 Holdings | Interest of spouse | 604 | 63.92% |

Notes:

- (1) Interests in shares stated above represent long positions.
- (2) Datin Lo is the spouse of Dato' Chan and is deemed, or taken to be, interested in the Shares which Dato' Chan is interested under the SFO.

Save as disclosed above, as at 31 December 2020, none of the Directors and CEO had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are 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 Model Code.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period, was the Company or any of 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 other body corporate.

SHARE OPTION SCHEME

The Company has adopted the share option scheme on 14 December 2019 (the "Share Option Scheme"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The following is a summary of the principal terms of the Share Option Scheme:

(A) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive or a reward to eligible persons for their contribution to the Group.

(B) Participants of the Share Option Scheme

The participants of the Share Option Scheme shall be:

- (1) any employee (whether full-time or part-time) of the Company, and any of the subsidiaries;
- (2) any director (including executive, non-executive and independent non-executive directors) of the Company and any of the subsidiaries; and
- (3) any consultant, advisers of the Company and any of the subsidiaries.

(C) Total number of Shares available for issue under the Share Option Scheme

Under the Share Option Scheme, the total number of Shares which may be allotted and issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the number of issued shares as at 21 January 2020 unless the Company obtains a fresh approval from the Shareholders.

As at 31 December 2020, a total of 200,000,000 Shares, representing 10% of the issued share capital of the Company, are available for issue under the Share Option Scheme.

(D) Maximum entitlement of each participant under the Share Option Scheme

The maximum entitlement of each participant under the Share Option Scheme in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of Shares in issue.

Each grant of share options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates, is subject to approval in advance by the independent non-executive Directors. In addition, any grant of share options to a substantial shareholder or an independent non-executive Director, or to any of their associates, resulting in the Shares issued and to be granted (including options exercised, cancelled and outstanding) to such person, in a 12-month period up to and including the date of such grant in excess of 0.1% of the Shares in issue and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK\$5 million, is subject to Shareholders' approval in advance in a general meeting of the Company.

(E) The period within which the Shares must be taken up under an option

The period during which an option may be exercised is determined by the Board at its discretion, save that such period shall not be longer than 10 years from the date of grant.

(F) The minimum period for which an option must be held before it can be exercised

As determined by the Board upon the grant of an option.

(G) The amount payable on acceptance of an option and the period within which payments shall be made

A consideration of HK\$1 is payable on acceptance of the offer of grant of an option where the grantee should accept or decline the offer of grant of an option within the date as specified in the offer letter issued by the Company, being a date not later than five business days from the date upon which it is made.

(H) The basis of determining the exercise price

The exercise price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board in its absolute discretion and notified to an eligible person, and shall be at least the higher of: (1) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, (2) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the date of grant, and (3) the nominal value of a share on the date of grant.

DIRECTORS' REPORT

(I) The remaining life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years from 21 January 2020 until 20 January 2030.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption, and there is no outstanding share option as at 31 December 2020 and at the date of this annual report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2020, according to the register kept by the Company under Section 336 of the SFO, the corporations or persons (other than a Director or CEO) had interests of 5% or more in the Shares or underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO were as follows:

| Name | Capacity | Number of class of securities ⁽¹⁾ | Approximate percentage of the issued shares |
|------------------------------|------------------|--|---|
| 2926 Holdings ⁽²⁾ | Beneficial owner | 1,417,500,000 ordinary shares | 70.88% |

Notes:

- (1) Interests in shares stated above represent long positions.
- (2) 2926 Holdings is the registered and beneficial owner holding approximately 70.88% of the issued Shares of the Company. The issued share capital of 2926 Holdings is owned as to 63.9% by Dato' Chan and 36.1% by Dato' Kwan. On 29 May 2019, Dato' Chan and Dato' Kwan entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert (having the meaning ascribed to it under the Takeover Code). By virtue of the Concert Parties Confirmatory Deed, each of Dato' Chan and Dato' Kwan is deemed to be interested in the Shares held by 2926 Holdings under the SFO.
- (3) Datin Lo is the spouse of Dato' Chan and is deemed, or taken to be, interested in the Shares which Dato' Chan is interested under the SFO.

Save as disclosed above, as at 31 December 2020, no other person (other than a Director or CEO) had registered an interest or short position in the Shares, underlying Shares and debentures of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 8 to the consolidated financial statements and in the paragraph headed "Continuing Connected Transactions", there is no contract of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

Save as disclosed in the paragraph headed "Continuing Connected Transactions", the significant related party transactions that did not constitute connected transactions under Chapter 14A of the Listing Rules made during the Reporting Period were disclosed in Note 28 to the consolidated financial statements.

COMPETING INTEREST

From the Listing Date and up to the date of this annual report, none of the Directors or their respective associates (as defined in the Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

REMUNERATION POLICY

The remuneration policy of the Group is set up by the Remuneration Committee on the basis of market trends and the individuals' merit, qualifications and competence.

The Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics, made recommendations to the Board for all remuneration of the executive Directors and senior management of the Company.

There was no forfeited contribution available to reduce the contribution payable under the defined contribution retirement scheme.

The Company has adopted a Share Option Scheme as an incentive to Directors and eligible employees, details are set out in the paragraph headed "Share Option Scheme".

EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors, chief executive and the five highest paid individuals of the Group are set out in Notes 8 and 9 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

From the Listing Date and up to the date of this annual report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association although there is no restriction against such rights under the laws in the Cayman Islands.

CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the Group conducted the following continuing connected transactions:

As disclosed in the Prospectus, the following transactions of the Group constituted continuing connected transactions for the Company. For further details of the continuing connected transactions, please refer to the section headed "Connected Transactions" on pages 239 to 250 of the Prospectus.

DIRECTORS' REPORT

Lease of property by Infinity Shipping (MY) Sdn. Bhd. (“Infinity Shipping (MY)”)

On 1 March 2019, Infinity Shipping (MY) as lessor and Infinity Logistics & Transport Sdn. Bhd. (“**Infinity L&T (MY)**”), an indirectly wholly owned subsidiary of the Company, as lessee entered into a lease agreement for the leasing of a property located at No. 2 and 4 Jalan Kasuarina 8, Bandar Botanic, 41200 Klang, Selangor Darul Ehsan, Malaysia for a term commencing from 1 January 2019 to 31 December 2021 at a monthly rent of RM15,000 (the “**Lease Agreement**”). The property is used as an administrative and operational headquarter for logistics and transport services.

The annual caps for the transactions contemplated under the Lease Agreement will be RM180,000, RM180,000 and RM180,000 for each of the two financial years ended 31 December 2019 and 2020 and year ending 31 December 2021.

During the Reporting Period, the amount of transaction conducted under the Lease Agreement was RM 180,000.

Purchase of cardboard containers from Lite Bulk Sdn. Bhd. (“Lite Bulk”)

On 14 December 2019, the Company (for itself and on behalf of other Group companies) entered into a master purchase agreement with Lite Bulk, pursuant to which the Company (for itself and on behalf of other Group companies) agreed to purchase cardboard containers on a non-exclusive basis from Lite Bulk (the “**Master Purchase Agreement**”). Under the Master Purchase Agreement, the Company (for itself and on behalf of other Group companies) can from time to time place purchase order with Lite Bulk, which shall set out, inter alia, the quantity, description of products and the purchase price.

The terms of the Master Purchase Agreement with Lite Bulk shall commence on the Listing Date and will expire on 31 December 2021. Either party may terminate the Master Purchase Agreement by serving a notice of not less than three months to the other.

The annual caps for the transactions contemplated under the Master Purchase Agreement will not exceed RM45,000, RM49,000 and RM54,000 respectively for each of the two financial years ended 31 December 2019 and 2020 and year ending 31 December 2021.

During the Reporting Period, the amount of transaction conducted under the Master Purchase Agreement was RM19,395.

Supply of freight forward services to Lite Bulk

On 14 December 2019, the Company (for itself and on behalf of other Group companies) entered into a master supply agreement with Lite Bulk, pursuant to which the Company (for itself and on behalf of other Group companies) agreed to provide freight forwarding services on a non-exclusive basis to Lite Bulk (the “**Master Supply Agreement**”). Under the Master Supply Agreement, Lite Bulk shall from time to time place service order to the Group, which shall set out, inter alia, description of the service required, term of payment and the service fee.

The terms of the Master Supply Agreement with Lite Bulk shall commence on the Listing Date and will expire on 31 December 2021. Either party may terminate the Master Supply Agreement by serving a notice of not less than three months to the other.

The annual caps for the transactions contemplated under the Master Supply Agreement will not exceed RM96,000, RM106,000 and RM116,000 respectively for each of the two financial years ended 31 December 2019 and 2020 and year ending 31 December 2021.

DIRECTORS' REPORT

During the Reporting Period, the amount of transaction conducted under the Master Supply Agreement was RM1,200.

As each of Dato' Chan and Dato' Kwan is holding more than 30% shareholding interest in Infinity Shipping (MY) and Lite Bulk, Infinity Shipping (MY) and Lite Bulk are therefore considered as an associate of each of Dato' Chan and Dato' Kwan and a connected person of the Company under Chapter 14A of the Listing Rules.

Purchase of freight forward services from Qingdao Infinity Supply Chain Management Co., Ltd (“Qingdao Infinity”)

On 14 December 2019, the Company (for itself and on behalf of other Group companies) entered into a master purchase agreement with Qingdao Infinity, pursuant to which the Company (for itself and on behalf of other Group companies) agreed to engage Qingdao Infinity for the provision of freight forwarding services in the PRC on a non-exclusive basis (the “**Master Purchase Agreement I**”). Under the Master Purchase Agreement I, the Group can from time to time place service order to Qingdao Infinity, which shall set out, inter alia, description of the service required, term of payment and the service fee.

The terms of the Master Purchase Agreement I with Qingdao Infinity shall commence on the Listing Date and will expire on 31 December 2021. Either party may terminate the Master Purchase Agreement by serving a notice of not less than three months to the other.

The annual caps for the transactions contemplated under the Master Purchase Agreement I will not exceed RM1,255,000, RM1,443,000 and RM1,659,000 for each of the two financial years ended 31 December 2019 and 2020 and financial year ending 31 December 2021.

During the Reporting Period, the amount of transaction conducted under the Master Purchase Agreement I was RM872,225.

Sales of packaging materials to Qingdao Infinity

On 14 December 2019, the Company (for itself and on behalf of other Group companies) entered into a master supply agreement with Qingdao Infinity, pursuant to which the Company (for itself and on behalf of other Group companies) agreed to supply packaging material on a non-exclusive basis to Qingdao Infinity (the “**Master Supply Agreement I**”). Under the Master Supply Agreement I, Qingdao Infinity can from time to time place purchase order to the Group, which shall set out, inter alia, the quantity, description of the product and the purchase price.

The terms of the Master Supply Agreement I with Qingdao Infinity shall commence on the Listing Date and will expire on 31 December 2021. Either party may terminate the Master Purchase Agreement by serving a notice of not less than three months to the other.

The annual caps for the transactions contemplated under the Master Supply Agreement I will not exceed RM641,000, RM705,000 and RM776,000 for each of the two financial years ended 31 December 2019 and 2020 and financial year ending 31 December 2021.

During the Reporting Period, the amount of transaction conducted under the Master Supply Agreement I was RM82,152.

Mr. Teo Guan Kee (“**Mr. Teo**”) is a director of four of the subsidiaries of the Group and hence a connected person of the Company at subsidiary level. As Mr. Teo is holding more than 30% shareholding interest in Qingdao Infinity, Qingdao Infinity is therefore considered as an associate of Mr. Teo and a connected person of the Company under Chapter 14A of the Listing Rules.

DIRECTORS' REPORT

Save as the continuing connected transactions of 1) lease of property; 2) purchase of cardboard containers; and 3) supply of freight forward services which are exempt from the annual review under Listing Rules, the Board engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of i) purchase of freight forward services; and ii) sales of packaging materials (the “**Disclosed CCTs**”) pursuant to Rule 14A.56 of the Listing Rules. The joint auditors have confirmed that nothing has come to the joint auditors attention that causes them to believe that:

1. the Disclosed CCTs have not been approved by the Board;
2. the transactions were not conducted, in all material respects, in accordance with the pricing policies of the Group (if applicable);
3. the transactions were not conducted, in all material respects, in accordance with the relevant agreement governing such transactions; and
4. the Disclosed CCTs have exceeded the relevant maximum aggregate annual cap amount disclosed in the Prospectus in respect of each of the disclosed continuing connected transactions.

The independent non-executive Directors had reviewed the above continuing connected transactions and confirmed that the transactions had been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company has complied with the disclosure requirements for those related party transactions which constituted connected transactions in accordance with Chapter 14A of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the Group's largest supplier accounted for approximately 7.1% of the Group's total cost of services and goods sold. The Group's five largest suppliers accounted for approximately 22.4% of the Group's total cost of services and goods sold.

During the Reporting Period, the Group's largest customer accounted for approximately 4.3% of the Group's total revenue. The Group's five largest customers accounted for approximately 19.3% of the Group's total revenue.

None of the Directors, their associate or any Shareholder (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 122 of this annual report. This summary does not form part of the audited consolidated financial statements.



DIRECTORS' REPORT

USE OF PROCEEDS FROM LISTING

Details of the use of proceeds from listing are set out in the section headed "Management Discussion and Analysis" on page 10 of this annual report.

PUBLIC FLOAT

As at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holdings of the Company's shares.

JOINT AUDITORS

The consolidated financial statements for the year ended 31 December 2020 have been audited by Mazars CPA Limited, *Certified Public Accountants, Hong Kong and Mazars LLP, Public Accountants and Chartered Accountants, Singapore* (together referred to as "**Mazars**"). Mazars will retire, and being eligible, offer themselves for re-appointment. A resolution for their re-appointment as the joint auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

From the incorporation of the Company and up to the date of this annual report, there has been no change in the Company's auditors.

On behalf of the Board

Dato' Chan Kong Yew

Chairman and Chief Executive Officer

Hong Kong, 19 March 2021

INDEPENDENT JOINT AUDITORS' REPORT

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To the members of
Infinity Logistics and Transport Ventures Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Infinity Logistics and Transport Ventures Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 57 to 121, which comprise the consolidated statement of financial position at 31 December 2020, and the consolidated statement of profit or loss and other 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 at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT JOINT AUDITORS' REPORT

Key audit matter

How our audit addressed the key audit matter

Expected credit loss ("ECL") assessment of trade receivables

At 31 December 2020, the gross amount of trade receivables and its related allowance for ECL amounted to approximately RM47,418,000 (2019: RM43,756,000) and approximately RM1,074,000 (2019: RM1,427,000), respectively.

At each reporting date, the management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix that is based on historical data and is adjusted for forward-looking information of respective trade receivables.

The management of the Group believes that they have considered reasonable and supportable information that is relevant and available without undue cost and effort for this purpose. Such assessment has taken the quantitative and qualitative historical information and also, the forward-looking analysis.

We have identified the management's ECL assessment of trade receivables as a key audit matter because the carrying amount of trade receivables was significant to the consolidated financial statements and the ECL assessment of these balances required significant judgement and involved high level of uncertainty.

Related disclosures are included in Notes 2, 18 and 29 to the consolidated financial statements.

Our procedures, among others, included:

- a) understanding of the Group's credit risk management and practices and assessing the Group's impairment provisioning policy in accordance with the requirements of applicable accounting standards;
- b) assessing and challenging the application of impairment methodology of ECL, and checking the assumptions and key parameters to external data sources where available;
- c) assessing the reasonableness and relevancy of the external information used by the Group as the forward-looking information;
- d) testing, on a sample basis, the accuracy of ageing categories of trade receivables based on relevant delivery notes, sales invoices and sales contracts; and
- e) checking the calculation of ECL based on the methodology adopted by the Group and adequacy of the Group's disclosures in relation to credit risk exposed by the Group in the consolidated financial statements.

INDEPENDENT JOINT AUDITORS' REPORT

Key audit matter

How our audit addressed the key audit matter

Recognition of expenses for the initial listing of the Group

Relevant costs incurred for the initial listing of the shares of the Company are allocated and classified among (i) profit or loss as listing expenses, and (ii) equity as a reduction of share premium upon the capitalisation issue, on the basis that whether the costs are (a) costs for the Company to obtain the listing status, or (b) incremental costs for the Company to raise additional funds from the issue of new shares. Such allocation of costs involved significant judgement of the management of the Group.

During the year ended 31 December 2020, costs attributable to obtain the listing status of approximately RM544,000 (2019: RM8,338,000) and incremental costs for the Company to raise additional funds from the issue of new shares of approximately RM8,922,000 (2019: Nil) were charged to profit or loss and equity as a reduction of share premium, respectively.

We have identified the above matter as a key audit matter because the amounts involved are significant and the classification and allocation of relevant costs incurred involves a significant degree of management judgement and therefore is subject to an inherent risk of error.

Related disclosure is included in Notes 2 and 24(v) to the consolidated financial statements.

Our procedures, among others, included:

- a) obtaining an understanding of and enquiring of the management of the Group on the bases of classification and allocation of the relevant costs and assessing the reasonableness of these bases with reference to the applicable accounting standards and guidelines; and
- b) checking samples of items that made up the total costs incurred for the initial listing of the shares of the Company to invoices and agreements to confirm the nature of the items and checking whether these items have been correctly classified and allocated according to the bases determined by the management of the Group.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2020 annual report of the Company, but does not include the consolidated financial statements and our joint auditors' 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.

INDEPENDENT JOINT AUDITORS' REPORT

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGE WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

JOINT AUDITORS' 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 a joint auditors' report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of 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 HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

INDEPENDENT JOINT AUDITORS' REPORT

- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors of the Company 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 joint auditors' 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 joint auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our joint auditors' 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.

Mazars CPA Limited

Certified Public Accountants, Hong Kong

42nd Floor, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

19 March 2021

The engagement director of Mazars CPA Limited on the audit jointly resulting in this independent joint auditors' report is:

She Shing Pang

Practising Certificate number: P05510

Mazars LLP

Public Accountants and Chartered Accountants of Singapore

135 Cecil Street
#10-01 MYP Plaza
Singapore 069536

19 March 2021

The engagement partner of Mazars LLP on the audit jointly resulting in this independent joint auditors' report is:

Chan Hock Leong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

| | Notes | 2020 RM'000 | 2019 RM'000 |
|--|-------|--------------------|----------------|
| Revenue | 5 | 223,669 | 209,432 |
| Cost of services and goods sold | | (170,656) | (155,525) |
| Gross profit | | 53,013 | 53,907 |
| Other income | 6 | 903 | 2,258 |
| Administrative and other operating expenses | | (18,559) | (19,766) |
| Reversal of loss allowance of trade receivables | 29 | 187 | 1,447 |
| Finance costs | 7 | (4,132) | (4,418) |
| Share of results of associates | 16 | 100 | (32) |
| Listing expenses | | (544) | (8,338) |
| Profit before tax | 7 | 30,968 | 25,058 |
| Income tax expenses | 10 | (5,859) | (5,578) |
| Profit for the year | | 25,109 | 19,480 |
| Other comprehensive loss | | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Exchange differences on translation of Company's financial statements to presentation currency | | (661) | — |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences on combination/consolidation | | (454) | (390) |
| Other comprehensive loss for the year | | (1,115) | (390) |
| Total comprehensive income for the year | | 23,994 | 19,090 |
| Earnings per share attributable to equity holders of the Company | | | |
| Basic and diluted | 11 | 1.27 RM sen | 1.30 RM sen |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

| | Notes | 2020 RM'000 | 2019 RM'000 |
|--|-------|----------------|----------------|
| Non-current assets | | | |
| Property, plant and equipment | 14 | 157,801 | 144,570 |
| Club membership | | 90 | 123 |
| Goodwill | 15 | — | — |
| Interest in associates | 16 | 501 | 1 |
| | | 158,392 | 144,694 |
| Current assets | | | |
| Inventories | 17 | 13,048 | 8,376 |
| Trade and other receivables | 18 | 53,323 | 47,823 |
| Restricted bank balances | 19 | 35 | 35 |
| Bank balances and cash | | 72,065 | 17,180 |
| | | 138,471 | 73,414 |
| Current liabilities | | | |
| Trade and other payables | 20 | 32,681 | 33,006 |
| Bank overdrafts | 21 | 8,455 | 9,358 |
| Interest-bearing borrowings | 21 | 5,005 | 9,193 |
| Lease liabilities | 22 | 6,157 | 7,471 |
| Income tax payables | | 292 | 5,152 |
| | | 52,590 | 64,180 |
| Net current assets | | 85,881 | 9,234 |
| Total assets less current liabilities | | 244,273 | 153,928 |
| Non-current liabilities | | | |
| Interest-bearing borrowings | 21 | 45,730 | 50,778 |
| Lease liabilities | 22 | 22,944 | 19,754 |
| Deferred tax liabilities | 23 | 1,715 | 99 |
| | | 70,389 | 70,631 |
| NET ASSETS | | 173,884 | 83,297 |
| Capital and reserves | | | |
| Share capital | 24 | 10,518 | —* |
| Reserves | 26 | 163,366 | 83,297 |
| TOTAL EQUITY | | 173,884 | 83,297 |

* Represents amount less than RM1,000.

The consolidated financial statements on pages 57 to 121 were approved and authorised for issue by the Board of Directors on 19 March 2021 and signed on its behalf by

Dato' Chan Kong Yew
Director

Dato' Kwan Siew Deeg
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

| | Attributable to equity holders of the Company | | | | |
|--|---|---|--|-------------------------------|-----------------|
| | Share capital RM'000 (Note 24) | Capital reserve RM'000 (Note 26(b)) | Exchange reserve RM'000 (Note 26(c)) | Accumulated profits RM'000 | Total RM'000 |
| Year ended 31 December 2019 | | | | | |
| At 1 January 2019 | — | 6,681 | 1,212 | 74,850 | 82,743 |
| Profit for the year | — | — | — | 19,480 | 19,480 |
| Other comprehensive loss | | | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | | | |
| Exchange differences on combination/consolidation | — | — | (390) | — | (390) |
| Total comprehensive income for the year | — | — | (390) | 19,480 | 19,090 |
| Transactions with owners | | | | | |
| <i>Contributions and distributions</i> | | | | | |
| Issue of share capital | —* | — | — | — | —* |
| Contributions made by the Ultimate Controlling Parties (as defined in Note 1) (Note i) | — | 8 | — | — | 8 |
| Arising from the Reorganisation (as defined in Note 1) (Note ii) | —* | — | — | — | —* |
| Dividends (Note 12) | — | — | — | (18,544) | (18,544) |
| | —* | 8 | — | (18,544) | (18,536) |
| At 31 December 2019 | —* | 6,689 | 822 | 75,786 | 83,297 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

| | Attributable to equity holders of the Company | | | | | Total RM'000 |
|---|---|--|--|---|----------------------------------|-----------------|
| | Share capital RM'000 (Note 24) | Share premium RM'000 (Note 26(a)) | Capital reserve RM'000 (Note 26(b)) | Exchange reserve RM'000 (Note 26(c)) | Accumulated profits RM'000 | |
| Year ended 31 December 2020 | | | | | | |
| At 1 January 2020 | —* | — | 6,689 | 822 | 75,786 | 83,297 |
| Profit for the year | — | — | — | — | 25,109 | 25,109 |
| Other comprehensive loss | | | | | | |
| <i>Item that will not be reclassified to profit or loss:</i> | | | | | | |
| Exchange differences on translation of the Company's financial statements to presentation currency (Note 25(b)) | — | — | — | (661) | — | (661) |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | | | | |
| Exchange differences on consolidation | — | — | — | (454) | — | (454) |
| Total comprehensive income for the year | — | — | — | (1,115) | 25,109 | 23,994 |
| Transactions with owners | | | | | | |
| <i>Contributions and distributions</i> | | | | | | |
| Issue of shares pursuant to the Capitalisation Issue (Note 24(iv)) | 7,888 | (7,888) | — | — | — | — |
| Issue of shares pursuant to the Share Offer (Note 24(v)) | 2,630 | 78,885 | — | — | — | 81,515 |
| Transaction costs attributable to issue of shares | — | (8,922) | — | — | — | (8,922) |
| Dividends (Note 12) | — | — | — | — | (6,000) | (6,000) |
| | 10,518 | 62,075 | — | — | (6,000) | 66,593 |
| At 31 December 2020 | 10,518 | 62,075 | 6,689 | (293) | 94,895 | 173,884 |

* Represents amount less than RM1,000.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

Notes:

- (i) On 19 February 2019, ILNT 2926 (as defined in Note 1) was incorporated and 1 ordinary share was allotted and issued to Dato' Chan Kong Yew at a consideration of US\$1. On 3 June 2019, Dato' Chan Kong Yew transferred the 1 ordinary share of ILNT 2926 to 2926 Holdings (as defined in Note 1) at a consideration of US\$1. On the same date, 944 ordinary shares were allotted and issued to 2926 Holdings at a consideration of US\$944 and were fully paid during the year ended 31 December 2019.
- On 19 February 2019, IBL 2926 (as defined in Note 1) was incorporated and 1 ordinary share was allotted and issued to Dato' Chan Kong Yew at a consideration of US\$1. On 3 June 2019, Dato' Chan Kong Yew transferred the 1 ordinary share of IBL 2926 to 2926 Holdings at a consideration of US\$1. On the same date, 944 ordinary shares were allotted and issued to 2926 Holdings at a consideration of US\$944 and were fully paid during the year ended 31 December 2019.
- On 25 January 2019, ILNT Holding (MY) (as defined in Note 1) was incorporated and 2 ordinary shares were allotted and issued to Dato' Chan Kong Yew and Dato' Kwan Siew Deeg at considerations of RM1 and RM1, respectively, and were fully paid during the year ended 31 December 2019. On 19 June 2019, Dato' Chan Kong Yew and Dato' Kwan Siew Deeg transferred 2 ordinary shares to ILNT 2926.
- On 19 February 2019, Infinity Flexitank Holding (MY) (as defined in Note 1) was incorporated and 2 ordinary shares were allotted and issued to Dato' Chan Kong Yew and Mr. Teo Guan Kee at considerations of RM1 and RM1, respectively, and were fully paid during the year ended 31 December 2019. On 17 June 2019, Dato' Chan Kong Yew and Mr. Teo Guan Kee transferred 2 ordinary shares to IBL 2926.
- (ii) As part of the Reorganisation, the Company allotted and issued 1,889 shares credited as fully paid to 2926 Holdings and 110 shares credited as fully paid to Mr. Teo Guan Kee to acquire all the issued shares of ILNT 2926 and IBL 2926 from 2926 Holdings during the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

| | Notes | 2020 RM'000 | 2019 RM'000 |
|---|-------|-----------------|-----------------|
| OPERATING ACTIVITIES | | | |
| Profit before tax | | 30,968 | 25,058 |
| Adjustments for: | | | |
| Depreciation | | 12,951 | 12,219 |
| Gain on disposal of property, plant and equipment | | (247) | (1,823) |
| Reversal of loss allowance of trade receivables | 29 | (187) | (1,447) |
| Impairment loss on club membership | | 33 | — |
| Share of results of associates | 16 | (100) | 32 |
| Bank interest income | | (470) | (7) |
| Finance costs | | 4,132 | 4,418 |
| Exchange differences | | (1,263) | (403) |
| Cash flows from operations before movements in working capital | | 45,817 | 38,047 |
| Changes in working capital: | | | |
| Inventories | | (4,672) | (615) |
| Restricted bank balances | | — | (4) |
| Trade and other receivables | | (5,132) | 11,331 |
| Trade and other payables | | 1,870 | (8,631) |
| Cash generated from operations | | 37,883 | 40,128 |
| Income tax paid | | (9,103) | (4,003) |
| Interest paid | | (4,132) | (4,418) |
| Net cash from operating activities | | 24,648 | 31,707 |
| INVESTING ACTIVITIES | | | |
| Interest received | | 470 | 7 |
| Investment in associates | | (400) | — |
| Purchases of property, plant and equipment | | (20,324) | (34,914) |
| Proceeds from disposal of property, plant and equipment | | 2,653 | 3,640 |
| Net cash used in investing activities | | (17,601) | (31,267) |

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

| | Notes | 2020 RM'000 | 2019 RM'000 |
|---|-------|----------------|----------------|
| FINANCING ACTIVITIES | | | |
| Inception of interest-bearing borrowings | | — | 27,520 |
| Repayment of interest-bearing borrowings | | (9,236) | (2,364) |
| Repayment of lease liabilities | | (8,543) | (11,967) |
| Proceeds from issuance of shares pursuant to the Share Offer | 24(v) | 81,515 | — |
| Payment of transaction costs attributable to issue of shares | 24(v) | (8,922) | — |
| Dividends paid | 12 | (6,000) | (18,544) |
| Repayment from related companies, net | | — | 1,346 |
| Advance to the Ultimate Controlling Parties, net | | — | (4,579) |
| Contributions made by the Ultimate Controlling Parties | | — | 8 |
| Net cash from (used in) financing activities | | 48,814 | (8,580) |
| Net increase (decrease) in cash and cash equivalents | | 55,861 | (8,140) |
| Cash and cash equivalents at beginning of the reporting period | | 7,822 | 15,987 |
| Effect on exchange rate changes | | (73) | (25) |
| Cash and cash equivalents at end of the reporting period | | 63,610 | 7,822 |
| Analysis of the balances of cash and cash equivalents | | | |
| Bank balances and cash | | 72,065 | 17,180 |
| Bank overdrafts | | (8,455) | (9,358) |
| | | 63,610 | 7,822 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Infinity Logistics and Transport Ventures Limited (the “Company”, together with its subsidiaries are collectively referred to as the “Group”) was incorporated as an exempted company with limited liability in the Cayman Islands on 7 March 2019. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 21 January 2020 (the “Listing”). In the opinion of the directors of the Company, the immediate and ultimate holding company is 2926 Holdings Limited (“2926 Holdings”), which is incorporated in the British Virgin Islands (the “BVI”). The ultimate controlling parties of the Group are Dato’ Chan Kong Yew and Dato’ Kwan Siew Deeg (collectively referred to as the “Ultimate Controlling Parties”). The registered office of the Company is situated at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. The Company’s principal place of business is situated at Unit B, 13th Floor, Winsan Tower, 98 Thomson Road, Wan Chai, Hong Kong and the Group’s headquarter is situated at No. 2, Jalan Kasuarina 8, Bandar Botanic, 41200 Klang, Selangor Darul Ehsan, Malaysia.

The principal activity of the Company is investment holding. The Group is principally engaged in the provision of integrated freight forwarding services, logistics centre and related services and railroad transportation services as an integrated logistics services provider and provision of flexitank solution and related services.

Completion of reorganisation

Pursuant to a group reorganisation (the “Reorganisation”) carried out by the Group in preparation for the Listing, the Company became the holding company of the subsidiaries now comprising the Group on 13 December 2019. Details of the Reorganisation are as set out in the paragraph headed “Reorganisation” of the section headed “History, Development and Reorganisation” to the prospectus issued by the Company dated 30 December 2019 (the “Prospectus”).

Immediately prior to and after the Reorganisation, the Company and its subsidiaries now comprising the Group are ultimately controlled by the Ultimate Controlling Parties (individually and/or jointly).

The Group’s business is mainly conducted through Infinity Logistics & Transport Sdn. Bhd. (“Infinity L&T (MY)”), Infinity Lines Sdn. Bhd. (“Infinity Lines (MY)”), Supply Stream Management Sdn. Bhd. (“Supply Stream Management (MY)”), Infinity Logistics & Transport (S) Pte. Ltd. (“Infinity L&T (SG)”), KNS Infinity Sdn. Bhd. (“KNS Infinity (MY)”), Infinity Logistics & Transport Ltd. (“Infinity L&T (Labuan)”), Infinity Bulk Logistics Sdn. Bhd. (“Infinity Bulk Logistics (MY)”), Infinity Bulk Logistics Ltd. (“Infinity Bulk Logistics (Labuan)”) and Optimus Flexitank Solutions Sdn. Bhd. (“Optimus Flexitank (MY)”). The Company, ILNT 2926 Ventures Limited (“ILNT 2926”), IBL 2926 Ventures Limited (“IBL 2926”), Infinity Logistics & Transport Holding Sdn. Bhd. (“ILNT Holding (MY)”) and Infinity Flexitank Holding Sdn. Bhd. (“Infinity Flexitank Holding (MY)”) are investment holding companies and have not been involved in any other significant activities prior to the Reorganisation except for the Reorganisation. Because the Reorganisation did not result in any change in the management, the ultimate control and the resources employed of the Group’s business the Group is regarded as a continuity entity and therefore, the Reorganisation is considered as a business combination under common control.

Accordingly, the consolidated financial statements have been prepared on a combined basis under merger accounting principles, as further explained in the paragraph headed “Merger accounting for business combination involving entities under common control” in Note 2 to the consolidated financial statements, which presents the consolidated financial position, consolidated financial performance, consolidated changes in equity and consolidated cash flows of the entities now comprising the Group as if the combination had occurred from the date when the combining entities or business first came under control of the Ultimate Controlling Parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”), which collective term includes all applicable individual IFRSs, International Accounting Standards (“IASs”) and Interpretations issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The consolidated financial statements are presented in Malaysian Ringgit (“RM”) and all amounts have been rounded to the nearest thousand (“RM’000”), unless otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 consolidated financial statements except for the adoption of the following new/revised IFRSs.

A summary of the principal accounting policies adopted by the Group in preparing the consolidated financial statements is set out below.

Adoption of new/revised IFRSs

The Group has applied, for the first time, the following new/revised IFRSs that are relevant to the Group:

| | |
|--------------------------------------|--|
| Amendments to IASs 1 and 8 | Definition of Material |
| Amendments to IAS 39, HKFRSs 7 and 9 | Interest Rate Benchmark Reform – Phase 1 |
| Amendments to IFRS 3 | Definition of a Business |
| Amendments to IFRS 16 | COVID-19-Related Rent Concessions |

Except for the early adoption of Amendments to IFRS 16 as set out below, the adoption of the new/revised IFRSs that are relevant to the Group and effective from the current year had no significant effects on the results and financial position of the Group for the current and prior years.

Amendments to HKFRS 16: Covid-19-Related Rent Concessions

In accordance with the transition provisions therein, the amendments have been applied retrospectively by the Group recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of accumulated profits (or other component of equity, as appropriate) and therefore the comparative information has not been restated.

Details of the accounting policy adopted in respect of COVID-19 related rent concessions are set out below.

Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is historical cost basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Basis of consolidation/combinations

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred. The results of subsidiaries are consolidated/combined from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Merger accounting for business combination involving entities under common control

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

The net assets of the combining entities or businesses are combined using the existing carrying values from the Ultimate Controlling Parties' perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the Ultimate Controlling Parties' interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities, arising from the Reorganisation, are recorded have been recognised directly in equity as part of the capital reserve. The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or, since the date when the combining entities or businesses first came under the common control, regardless of the date of the common control combination.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognised as an expense in the period in which they are incurred.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position as set out in Note 25 to the consolidated financial statements, the investment in a subsidiary is stated at cost less impairment loss. The carrying amount of the investments is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investments in associates are accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

Goodwill

Goodwill arising on an acquisition of a business is measured at the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired business.

Goodwill on acquisition of business is recognised as a separate asset and is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

On the other hand, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired business over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as an income from bargain purchase.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, over their estimated useful lives at the annual rate / useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

| | |
|-------------------------------|--|
| Right-of-use assets | Shorter of assets useful lives or over the unexpired term of lease |
| Buildings | 3% |
| Containers and tanks | 20% — 50% |
| Furniture and fittings | 20% — 50% |
| Computer and office equipment | 20% — 50% |
| Motor vehicles | 20% |

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Construction in progress represents buildings under construction. It is stated at cost less any accumulated impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction-in-progress is reclassified to the appropriate category of property, plant and equipment when the construction is completed and the asset is ready for use.

Club membership

The initial cost of acquiring club membership is capitalised. Club membership with indefinite useful lives is carried at cost less any accumulated impairment losses.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Recognition and derecognition (continued)

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

Classification and measurement

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income; (iii) equity investment measured at fair value through other comprehensive income; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include trade and other receivables, restricted bank balances and bank balances and cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are direct attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables, bank overdrafts, interest-bearing borrowings and lease liabilities. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets and other items under IFRS 9

The Group recognises loss allowances for expected credit losses ("ECL") on financial assets that are measured at amortised cost which the impairment requirements apply in accordance with IFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the past due information of shared credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets and other items under IFRS 9 *(continued)*

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria:

- (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or
- (ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due, except for the trade receivables from associates and related companies for which the Group has reasonable and supportable information to demonstrate.

Low credit risk

A financial instrument is determined to have low credit risk if:

- (i) it has a low risk of default;
- (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

As detailed in Note 29 to the consolidated financial statements, the Group's restricted bank balances and bank balances and cash are determined to have low credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets and other items under IFRS 9 *(continued)*

Simplified approach of ECL

For trade receivables, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidences that a financial asset is credit-impaired include observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower.
- (b) a breach of contract, such as a default or past due event.
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
- (e) the disappearance of an active market for that financial asset because of financial difficulties.
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

Cash equivalents

For the purpose of the consolidated statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Revenue recognition

Rental income

Rental income from properties is recognised on the straight-line basis over the lease term.

Dividend income

Dividend income from financial assets is recognised when the Group's rights to receive dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Interest income

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

Revenue from contracts with customers within IFRS 15

The Group adopts a 5-step approach to revenue recognition:

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

Nature of goods or services

The nature of the goods or services provided by the Group is as follows:

- (i) Integrated freight forwarding services
- (ii) Logistics centre and related services
- (iii) Railroad transportation services
- (iv) Flexitank solution and related services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers within IFRS 15 *(continued)*

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

- (a) a good or service (or a bundle of goods or services) that is distinct; or
- (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

- (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and
- (b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the Group's performance 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 a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Timing of revenue recognition (continued)

Integrated freight forwarding services, logistics centre and related services and railroad transportation services income are recognised over time when services are rendered.

Income from flexitank solution is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

For revenue recognised over time under IFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Group applies the input method (i.e. based on the proportion of the actual inputs deployed to date as compared to the estimated total inputs) to measure the progress towards complete satisfaction of the performance obligation because there is a direct relationship between the Group's inputs and the transfer of control of goods or services to the customers and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

The principal input applied in the input method for integrated freight forwarding services, logistics centre and related services and railroad transportation services is cost incurred.

Transaction price: significant financing components

When the contract contains a significant financing component (i.e. the customer or the Group is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Group's borrowing rates and other relevant creditworthiness information of the customer of the Group.

The Group has applied the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for the effect of the significant financing component if the period of financing is one year or less.

Performance obligation: warranties

Warranties associated with the provision of flexitank solution cannot be purchased separately and they serve as an assurance that the flexitank solution provided comply with agreed-upon specifications. Accordingly, the Group accounts for the warranties in accordance with IAS 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For the Group's businesses, it is common for the Group to receive from the customer the whole or some of the contractual payments before the services are completed or when the goods are delivered (i.e. the timing of revenue recognition for such transactions). The Group recognises a contract liability until it is recognised as revenue. During that period, any significant financing components, if applicable, will be included in the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation.

The Group's billing to its customers which are largely in line with the timing of revenue recognition and no significant contract assets are recognised. Contract liabilities in relation to advances from customers are recognised under "Other payables".

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of RM, which is also the functional currency of the operating subsidiaries of the Group in Malaysia, and rounded to the nearest thousands unless otherwise indicated. The Company's functional currency is Hong Kong Dollars ("HK\$").

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented, are translated at the closing rate at the end of each reporting period;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate;
- all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Foreign currency translation *(continued)*

- on the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation and a disposal involving the loss of control over a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;
- on the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss; and
- on all other partial disposals, which includes partial disposal of associates that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold/utilised, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Impairment of other assets, other than goodwill

At the end of each reporting period, the Group reviews internal and external sources of information to determine whether there is any indication that its property, plant and equipment, club membership, interest in associates and the Company's investments in a subsidiary may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as income in profit or loss immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impairment of other assets, other than goodwill *(continued)*

The accounting policy for recognition and reversal of the impairment loss for goodwill is stated in the accounting policy for goodwill in the earlier part of this note.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Leases

The Group as lessee

The Group leases various properties, containers and motor vehicles. Rental contracts are typically made for fixed periods of 2 to 30 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset (included in property, plant and equipment) and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments that are not paid:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as lessee *(continued)*

- payments of penalties for terminating the lease if the lease term reflects the Group exercising an option to terminate the lease.

Right-of-use assets are measured at cost comprising the followings:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentive received;
- any initial direct costs; and
- restoration costs unless those costs are incurred to produce inventories.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis over the lease term as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture with individual value below RM20,000.

The Group has applied the practical expedient provided in Amendments to IFRS 16: *COVID-19-Related Rent Concessions* and does not assess whether eligible rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modification. The Group accounts for any change in lease payments resulting from the rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient consistently to all eligible rent concessions with similar characteristics and in similar circumstances.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to certain of its property, plant and equipment, comprising warehouses, to other parties.

Rental income from leases is recognised in revenue on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Related parties

A related party is a person or entity that is related to the Group, that is defined as:

- (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 the key management personnel of the Group or of a holding company of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also 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 the key management personnel of the entity (or of a holding company 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 a holding company of the Group.

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:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Segment reporting *(continued)*

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management of the Group in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty

(i) Useful lives of property, plant and equipment (including right-of-use assets)

The management of the Group determines the estimated useful lives of the Group's property, plant and equipment based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

(ii) Impairment of property, plant and equipment (including right-of-use assets)

The management of the Group determines whether the Group's property, plant and equipment are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of the property, plant and equipment, which is equal to the higher of fair value less costs of disposal and value in use. Estimating the value in use requires the management of the Group to make an estimate of the expected future cash flows from the property, plant and equipment and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

(iii) Loss allowance for ECL

The management of the Group estimates the loss allowance for trade receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Critical accounting estimates and judgements *(continued)*

Key sources of estimation uncertainty *(continued)*

(iv) Allowance for inventories

The management of the Group reviews the condition of inventories at the end of each reporting period and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable. The management of the Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

(v) Provision for leakage claims

The Group makes provisions under the leakage claims on the income from flexitank solution, under which faulty flexitanks are repaired, replaced or the leakage loss are claimed. The amount of provisions is estimated based on the past claims experience of the level of repairs, returns and leakage claims. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

(vi) Income taxes

Significant estimates are required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain where the final tax outcome of these matters may be different from the amounts that were initially recorded and such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

Critical judgements made in applying accounting policies

(i) Recognition of expenses for the initial listing

The management of the Group determines the allocation and classification of relevant costs incurred for Listing among (i) profit or loss as listing expenses and (ii) equity as a reduction of share premium upon the capitalisation issue based on its judgement on whether such costs are (i) costs for the Company to obtain the listing status or (ii) incremental costs for the Company to raise additional funds from the issue of new shares, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

3. FUTURE CHANGES IN IFRSs

At the date of approving the consolidated financial statements, the IASB has issued the following new / revised IFRSs that are not yet effective for the current financial year, which the Group has not early adopted:

| | |
|--|---|
| Amendments to IAS 39, IFRSs 4, 7, 9 and 16 | Interest Rate Benchmark Reform – Phase 2 ¹ |
| Amendments to IAS 16 | Proceeds before Intended Use ² |
| Amendments to IAS 37 | Cost of Fulfilling a Contract ² |
| Amendments to IFRS 3 | Reference to the Conceptual Framework ² |
| Annual Improvements to IFRSs | 2018–2020 Cycle ² |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies ³ |
| Amendments to IAS 8 | Definition of Accounting Estimates ³ |
| IFRS 17 | Insurance Contracts ³ |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴ |

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 The effective date to be determined

The management of the Group does not anticipate that the adoption of the new / revised IFRSs in future periods will have any material impact on the Group's consolidated financial statements.

4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being identified as the chief operating decision makers ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services rendered. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

- 1) Integrated freight forwarding services segment: provision of non-vessel operating common carriers ("NVOCC") and freight forwarding services;
- 2) Logistics centre and related services segment: provision of warehousing and container depot services;
- 3) Railroad transportation services segment: provision of railroad transportation services; and
- 4) Flexitank solution and related services segment: provision of flexitank solution and related services.

Segment revenue and results

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2 to the consolidated financial statements.

Segment revenue represents revenue derived from provision of (i) integrated freight forwarding services, (ii) logistics centre and related services, (iii) railroad transportation services and (iv) flexitank solution and related services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

4. SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

Segment results represent the gross profit incurred by each segment without allocation of other income, administrative and other operating expenses, reversal of loss allowance of trade receivables, finance costs, share of results of associates, listing expenses and income tax expenses. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

No analysis of the Group's assets and liabilities by operating segments is presented as it is not regularly provided to the CODM for review.

In addition, the Group's place of domicile is Malaysia, where the central management and control is located.

The followings are analysis of the Group's revenue and results by reportable and operating segments:

| | Integrated freight forwarding services RM'000 | Logistics centre and related services RM'000 | Railroad transportation services RM'000 | Flexitank solution and related services RM'000 | Total RM'000 |
|--|---|--|--|--|-----------------|
| Year ended 31 December 2020 | | | | | |
| Revenue from contracts with customers within IFRS 15 | 77,584 | 56,102 | 12,752 | 68,935 | 215,373 |
| Revenue from other source | — | 8,296 | — | — | 8,296 |
| | 77,584 | 64,398 | 12,752 | 68,935 | 223,669 |
| Segment results | 15,969 | 12,283 | 3,746 | 21,015 | 53,013 |
| <i>Unallocated income and expenses</i> | | | | | |
| Other income | | | | | 903 |
| Administrative and other operating expenses | | | | | (18,559) |
| Reversal of loss allowance of trade receivables | | | | | 187 |
| Finance costs | | | | | (4,132) |
| Share of results of associates | | | | | 100 |
| Listing expenses | | | | | (544) |
| Profit before tax | | | | | 30,968 |
| Income tax expenses | | | | | (5,859) |
| Profit for the year | | | | | 25,109 |
| <i>Other information:</i> | | | | | |
| Depreciation (Note i) | 1,080 | 5,291 | 13 | 428 | 6,812 |
| Provision for leakage claims | — | — | — | 520 | 520 |
| Additions to property, plant and equipment (Note ii) | 2,280 | 3,867 | 1,217 | 202 | 7,566 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

4. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

| | Integrated freight forwarding services RM'000 | Logistics centre and related services RM'000 | Railroad transportation services RM'000 | Flexitank solution and related services RM'000 | Total RM'000 |
|--|---|--|--|--|-----------------|
| Year ended 31 December 2019 | | | | | |
| Revenue from contracts with customers within IFRS 15 | 73,088 | 51,841 | 19,103 | 62,359 | 206,391 |
| Revenue from other source | — | 3,041 | — | — | 3,041 |
| | 73,088 | 54,882 | 19,103 | 62,359 | 209,432 |
| Segment results | 15,329 | 10,000 | 5,990 | 22,588 | 53,907 |
| <i>Unallocated income and expenses</i> | | | | | |
| Other income | | | | | 2,258 |
| Administrative and other operating expenses | | | | | (19,766) |
| Reversal of loss allowance of trade receivables | | | | | 1,447 |
| Finance costs | | | | | (4,418) |
| Share of results of associates | | | | | (32) |
| Listing expenses | | | | | (8,338) |
| Profit before tax | | | | | 25,058 |
| Income tax expenses | | | | | (5,578) |
| Profit for the year | | | | | 19,480 |
| <i>Other information:</i> | | | | | |
| Depreciation (Note i) | 1,450 | 5,872 | 74 | 461 | 7,857 |
| Reversal of provision for leakage claims | — | — | — | (506) | (506) |
| Additions to property, plant and equipment (Note ii) | 500 | 14,897 | 10,669 | 324 | 26,390 |

Note:

- (i) Depreciation not included in the measure of segment results during the year ended 31 December 2020 amounted to approximately RM6,139,000 (2019: RM4,362,000).
- (ii) Additions to property, plant and equipment not allocated to the segments during the year ended 31 December 2020 amounted to approximately RM20,973,000 (2019: RM29,039,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

4. SEGMENT INFORMATION (continued)

Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers which are based on the location of customers.

| | 2020 RM'000 | 2019 RM'000 |
|---|----------------|----------------|
| <i>Revenue from external customers:</i> | | |
| China | 1,373 | 3,061 |
| Indonesia | 18,090 | 20,087 |
| Malaysia | 126,053 | 113,737 |
| Netherlands | 2,274 | 2,042 |
| Singapore | 27,067 | 17,557 |
| South Korea | 7,965 | 7,354 |
| Thailand | 17,278 | 22,562 |
| Vietnam | 2,898 | 4,906 |
| Others | 20,671 | 18,126 |
| | 223,669 | 209,432 |

There were no geographical analysis on segment assets is provided as substantially all of the Group's assets were located at Malaysia.

Information about major customers

There were no external customers individually contributing 10% or more of the total revenue during the years ended 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

5. REVENUE

| | 2020 RM'000 | 2019 RM'000 |
|---|----------------|----------------|
| Revenue from contracts with customers within IFRS 15 | | |
| Integrated freight forwarding services business | | |
| Air freight services income | 2,291 | 1,253 |
| Ocean freight services income | 20,187 | 18,215 |
| Forwarding services income | 14,926 | 5,776 |
| NVOCC services income | 40,180 | 47,844 |
| | 77,584 | 73,088 |
| Logistics centre and related services business | | |
| Warehousing and container depot services income | 56,102 | 51,841 |
| Railroad transportation services business | | |
| Landbridge transportation services income | 8,841 | 17,658 |
| Landfeeder transportation services income | 3,911 | 1,445 |
| | 12,752 | 19,103 |
| Flexitank solution and related services business | | |
| Income from flexitank solution | 68,935 | 62,359 |
| | 215,373 | 206,391 |
| Revenue from other source | | |
| Logistics centre and related services business | | |
| Rental income from warehouses | 8,296 | 3,041 |
| | 223,669 | 209,432 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

5. REVENUE (continued)

In addition to the information shown in segment disclosures, the revenue from contracts with customers within IFRS 15 is disaggregated as follows:

| | 2020 <i>RM'000</i> | 2019 <i>RM'000</i> |
|---|-----------------------|-----------------------|
| <i>Timing of revenue recognition:</i> | | |
| — at a point of time | | |
| Income from flexitank solution | 68,935 | 62,359 |
| — over time | | |
| Air freight services income | 2,291 | 1,253 |
| Ocean freight services income | 20,187 | 18,215 |
| Forwarding services income | 14,926 | 5,776 |
| NVOCC services income | 40,180 | 47,844 |
| Warehousing and container depot services income | 56,102 | 51,841 |
| Landbridge transportation services income | 8,841 | 17,658 |
| Landfeeder transportation services income | 3,911 | 1,445 |
| | 146,438 | 144,032 |
| | 215,373 | 206,391 |

6. OTHER INCOME

| | 2020 <i>RM'000</i> | 2019 <i>RM'000</i> |
|---|-----------------------|-----------------------|
| Bank interest income | 470 | 7 |
| Gain on disposal of property, plant and equipment | 247 | 1,823 |
| Sundry income | 186 | 428 |
| | 903 | 2,258 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

7. PROFIT BEFORE TAX

This is stated after charging (crediting):

| | 2020 RM'000 | 2019 RM'000 |
|---|----------------|----------------|
| Finance costs | | |
| Interest on bank overdrafts | 169 | 526 |
| Interest on interest-bearing borrowings | 2,252 | 2,320 |
| Interest on lease liabilities | 1,711 | 1,572 |
| | 4,132 | 4,418 |
| Staff costs (including directors' emoluments) | | |
| Salaries, allowances and other benefits in kinds | 22,145 | 20,808 |
| Contributions to defined contribution plans | 2,817 | 2,512 |
| | 24,962 | 23,320 |
| Other items | | |
| Auditors' remuneration | 515 | 518 |
| Cost of inventories | 47,920 | 39,771 |
| Depreciation (charged to "cost of services and goods sold" and "administrative and other operating expenses", as appropriate) | 12,951 | 12,219 |
| Exchange gain, net | (920) | (187) |
| Expenses recognised under short-term leases (charged to "cost of services and goods sold" and "administrative and other operating expenses", as appropriate) | 1,513 | 1,148 |
| Expenses recognised under leases of low-value assets (charged to "cost of services and goods sold" and "administrative and other operating expenses", as appropriate) | 282 | 196 |
| Gain on disposal of property, plant and equipment | (247) | (1,823) |
| Impairment loss on club membership | 33 | — |
| Provision (Reversal of provision) for leakage claims | 520 | (506) |

The Group does not recognise right-of-use assets and corresponding liabilities under short term lease and lease of low-value assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

8. DIRECTORS' REMUNERATION

The aggregate amounts of remuneration received and receivable by the directors of the Company are set out below.

Year ended 31 December 2020

| | Directors' fees RM'000 | Salaries, allowances and other benefits in kinds RM'000 | Discretionary bonus RM'000 | Contributions to defined contribution plans RM'000 | Total RM'000 |
|--|---------------------------|--|-------------------------------|---|-----------------|
| <i>Executive directors</i> | | | | | |
| Dato' Chan Kong Yew | — | 457 | — | 52 | 509 |
| Dato' Kwan Siew Deeg | — | 435 | — | 52 | 487 |
| Datin Lo Shing Ping | — | 238 | — | 30 | 268 |
| Mr. Yap Sheng Feng ² | — | 26 | — | — | 26 |
| <i>Independent non-executive directors</i> | | | | | |
| Mr. Chan Leng Wai ¹ | — | 56 | — | — | 56 |
| Mr. Li Chi Keung | — | 52 | — | — | 52 |
| Mr. Tan Poay Teik | — | 52 | — | — | 52 |
| Ms. Yeung Hoi Yan Monica ³ | — | 13 | — | — | 13 |
| | — | 1,329 | — | 134 | 1,463 |

¹ Mr. Chan Leng Wai resigned as an independent non-executive director of the Company on 7 August 2020.

² Mr. Yap Sheng Feng was appointed as non-executive director of the Company on 7 August 2020 and then re-designated as an executive director of the Company on 31 December 2020.

³ Ms. Yeung Hoi Yan Monica was appointed as an independent non-executive director of the Company on 7 August 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

8. DIRECTORS' REMUNERATION (continued)

Year ended 31 December 2019

| | Directors' fees RM'000 | Salaries, allowances and other benefits in kinds RM'000 | Discretionary bonus RM'000 | Contributions to defined contribution plans RM'000 | Total RM'000 |
|--|---------------------------|--|-------------------------------|---|-----------------|
| <i>Executive directors</i> | | | | | |
| Dato' Chan Kong Yew | — | 476 | — | 52 | 528 |
| Dato' Kwan Siew Deeg | — | 451 | — | 52 | 503 |
| Datin Lo Shing Ping | — | 253 | — | 21 | 274 |
| <i>Independent non-executive directors</i> | | | | | |
| Mr. Chan Leng Wai | — | — | — | — | — |
| Mr. Li Chi Keung | — | — | — | — | — |
| Mr. Tan Poay Teik | — | — | — | — | — |
| | — | 1,180 | — | 125 | 1,305 |

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to any of these directors as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2020 and 2019.

9. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the years ended 31 December 2020 and 2019 is as follows:

| | Number of individuals | |
|--------------|-----------------------|------|
| | 2020 | 2019 |
| Director | 3 | 3 |
| Non-director | 2 | 2 |
| | 5 | 5 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

9. FIVE HIGHEST PAID INDIVIDUALS *(continued)*

Details of the remuneration of the above highest paid non-director individuals are as follows:

| | 2020 <i>RM'000</i> | 2019 <i>RM'000</i> |
|--|-----------------------|-----------------------|
| Salaries, allowances and other benefits in kinds | 483 | 607 |
| Discretionary bonus | — | — |
| Contributions to defined contribution plans | 55 | 69 |
| | 538 | 676 |

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

| | Number of individuals | |
|----------------------|-----------------------|------|
| | 2020 | 2019 |
| Nil to HK\$1,000,000 | 2 | 2 |

During the years ended 31 December 2020 and 2019, no remuneration was paid by the Group to any of these highest paid non-director individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which any of these highest paid non-director individuals waived or has agreed to waive any emoluments during the years ended 31 December 2020 and 2019.

10. INCOME TAX EXPENSES

| | 2020 <i>RM'000</i> | 2019 <i>RM'000</i> |
|---|-----------------------|-----------------------|
| Current tax | | |
| Malaysia CIT | 3,930 | 6,003 |
| Labuan CIT | 313 | 20 |
| | 4,243 | 6,023 |
| Deferred tax | | |
| Changes in temporary differences <i>(Note 23)</i> | 1,616 | (445) |
| | 5,859 | 5,578 |

The group entities established in the Cayman Islands and the BVI are exempted from corporate income tax ("CIT") of those jurisdictions.

Hong Kong Profits Tax has not been provided as the Group had no assessable profits for the years ended 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

10. INCOME TAX EXPENSES (continued)

Malaysia CIT is calculated at the rate of 24% (the “standard rate” in Malaysia) of the Group’s estimated assessable profits arising from Malaysia (except for Labuan) during the years ended 31 December 2020 and 2019.

Malaysian (except for Labuan) subsidiaries participating in a promoted activity or of producing a promoted product and intending that a factory be constructed, or where the factory is already in existence, be occupied in Malaysia for that purpose, are eligible to make application for pioneer status. Malaysian (except for Labuan) subsidiaries under pioneer status were granted tax exemption on 70% of the statutory income for 5 years. The balance 30% of the statutory income will be taxed at the standard rate as detailed above.

Infinity Bulk Logistics (MY) has obtained the pioneer status effective from 5 January 2018. A pioneer status company is eligible for exemption from Malaysia CIT on eligible activities and products for 5 years.

The group entities incorporated in Labuan of Malaysia, CIT shall be charged at the rate of 17% for a year of assessment upon the chargeable profits for the year ended 31 December 2020 (2019: 3%).

Singapore CIT is calculated at 17% of the assessable profits with no CIT rebate for the year ended 31 December 2020 (2019: CIT rebate of 25%, capped at Singapore Dollars (“SGD”) 15,000). The Group’s entities incorporated in Singapore can also enjoy 75% tax exemption on the first SGD10,000 of normal chargeable income and a further 50% tax exemption on the next SGD190,000 of normal chargeable income for the years ended 31 December 2020 and 2019. Singapore CIT has not been provided as the Group had no assessable profits in Singapore for the years ended 31 December 2020 and 2019.

Reconciliation of income tax expenses

| | 2020 RM'000 | 2019 RM'000 |
|------------------------------------|----------------|----------------|
| Profit before tax | 30,968 | 25,058 |
| Income tax at applicable tax rate | 7,439 | 4,490 |
| Non-deductible expenses | 1,168 | 2,927 |
| Tax exempt revenue | (482) | (437) |
| Tax incentive under pioneer status | (2,266) | (1,402) |
| Income tax expenses | 5,859 | 5,578 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to equity holders of the Company is based on the following information:

| | 2020 RM'000 | 2019 RM'000 |
|--|-------------------------|----------------|
| Profit for the year attributable to equity holders of the Company, used in basic and diluted earnings per share calculation | 25,109 | 19,480 |
| | Number of shares | |
| | 2020 | 2019 |
| Weighted average number of ordinary shares for basic and diluted earnings per share calculation | 1,972,677,596 | 1,500,000,000 |

The calculation of the weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share has been determined based on the assumption that the issue of shares at incorporation of the Company, the Reorganisation and the Capitalisation Issue (as defined in Note 24 below) to the shareholders had occurred on 1 January 2019.

Diluted earnings per share are the same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the years ended 31 December 2020 and 2019.

12. DIVIDENDS

| | 2020 RM'000 | 2019 RM'000 |
|---|----------------|----------------|
| Dividends declared to the then equity holders of the entities now comprising the Group | — | 18,544 |
| Dividends declared to the equity holders of the Company | 6,000 | — |

At a meeting held on 19 August 2020, the directors of the Company resolved to declare an interim dividend of United States dollars ("US\$") 0.0007 per ordinary share totalling approximately US\$1,400,000 (equivalent to RM6,000,000). The dividends were paid on 30 September 2020.

The directors do not recommend the payment of a final dividend.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

13. SUBSIDIARIES

Details of the subsidiaries at the end of each reporting period are as follows:

| Name of subsidiaries | Place and date of incorporation | Particulars of paid up capital / registered capital | Attributable equity interest held by the Company | | Principal activities and place of operation |
|--|---------------------------------|---|--|------|--|
| | | | 2020 | 2019 | |
| <i>Directly held by the Company:</i> | | | | | |
| ILNT 2926 | The BVI, 19 February 2019 | US\$1,000 | 100% | 100% | Investment holding, Malaysia |
| IBL 2926 | The BVI, 19 February 2019 | US\$1,000 | 100% | 100% | Investment holding, Malaysia |
| <i>Indirectly held by the Company:</i> | | | | | |
| ILNT Holding (MY) | Malaysia, 25 January 2019 | RM2 | 100% | 100% | Investment holding, Malaysia |
| Infinity L&T (MY) | Malaysia, 7 November 2000 | RM4,940,001 | 100% | 100% | Integrated freight forwarding services, logistics centre and related services, railroad transportation services and investment holding, Malaysia |
| Infinity Lines (MY) | Malaysia, 3 October 2003 | RM500,000 | 100% | 100% | Freight forwarder and shipping agent services, Malaysia |
| Supply Stream Management (MY) | Malaysia, 18 September 2001 | RM300,000 | 100% | 100% | Freight forwarder and depot services, Malaysia |
| Infinity L&T (SG) | Singapore, 8 November 2010 | Singapore Dollars ("SGD") 2 | 100% | 100% | Freight forwarder, packing and crating services, Singapore |
| KNS Infinity (MY) | Malaysia, 28 March 2011 | RM300,000 | 100% | 100% | Holding property for own use, Malaysia |
| Infinity L&T (Labuan) | Labuan, 9 May 2014 | US\$2 | 100% | 100% | Sales of containers, Labuan |
| Infinity Flexitank Holding (MY) | Malaysia, 19 February 2019 | RM2 | 100% | 100% | Investment holding, Malaysia |
| Infinity Bulk Logistics (MY) | Malaysia, 24 March 2003 | RM1,000,000 | 100% | 100% | Flexitank solution and related services and bulk logistics services, Malaysia |
| Infinity Bulk Logistics (Labuan) | Labuan, 12 May 2014 | US\$10,000 | 100% | 100% | Flexitank solution and related services, Labuan |
| Optimus Flexitank (MY) | Malaysia, 7 January 2004 | RM100,000 | 100% | 100% | Freight forwarder and haulage services, Malaysia |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

14. PROPERTY, PLANT AND EQUIPMENT

| | Right-of- use assets RM'000 (Note 22) | Buildings RM'000 | Containers and tanks RM'000 | Furniture and fittings RM'000 | Computer and office equipment RM'000 | Motor vehicles RM'000 | Construction- in-progress RM'000 | Total RM'000 |
|---|--|---------------------|-----------------------------------|--|---|-----------------------------|--|-----------------|
| Reconciliation of carrying amounts – year ended 31 December 2019 | | | | | | | | |
| At 1 January 2019 | 66,678 | 26,156 | 1,649 | 1,543 | 2,592 | 2,584 | 2,002 | 103,204 |
| Additions | 14,431 | 27,617 | 1,171 | 315 | 994 | 10,751 | 150 | 55,429 |
| Transfers | (4,007) | 1,134 | 1,848 | — | 1,017 | 2,160 | (2,152) | — |
| Depreciation | (6,706) | (1,433) | (106) | (490) | (1,330) | (2,154) | — | (12,219) |
| Disposals | — | — | (1,755) | — | (5) | (57) | — | (1,817) |
| Exchange realignments | (21) | — | (6) | — | — | — | — | (27) |
| At 31 December 2019 | 70,375 | 53,474 | 2,801 | 1,368 | 3,268 | 13,284 | — | 144,570 |
| Reconciliation of carrying amounts – year ended 31 December 2020 | | | | | | | | |
| At 1 January 2020 | 70,375 | 53,474 | 2,801 | 1,368 | 3,268 | 13,284 | — | 144,570 |
| Additions | 10,419 | 191 | 3,239 | 255 | 1,994 | 10,848 | 1,593 | 28,539 |
| Depreciation | (4,523) | (2,784) | (776) | (500) | (1,565) | (2,803) | — | (12,951) |
| Disposals | (1,500) | — | (893) | — | (13) | — | — | (2,406) |
| Exchange realignments | — | — | 49 | — | — | — | — | 49 |
| At 31 December 2020 | 74,771 | 50,881 | 4,420 | 1,123 | 3,684 | 21,329 | 1,593 | 157,801 |
| At 31 December 2019 | | | | | | | | |
| Cost | 88,616 | 58,862 | 10,789 | 3,098 | 11,770 | 28,259 | — | 201,394 |
| Accumulated depreciation | (18,241) | (5,388) | (7,988) | (1,730) | (8,502) | (14,975) | — | (56,824) |
| Net carrying amounts | 70,375 | 53,474 | 2,801 | 1,368 | 3,268 | 13,284 | — | 144,570 |
| At 31 December 2020 | | | | | | | | |
| Cost | 94,449 | 59,053 | 11,194 | 3,348 | 13,760 | 39,107 | 1,593 | 222,504 |
| Accumulated depreciation | (19,678) | (8,172) | (6,774) | (2,225) | (10,076) | (17,778) | — | (67,703) |
| Net carrying amounts | 74,771 | 50,881 | 4,420 | 1,123 | 3,684 | 21,329 | 1,593 | 157,801 |

At 31 December 2020, the Group's leasehold lands (included in right-of-use assets) and construction-in-progress with aggregate net carrying amount of approximately RM33,451,000 (2019: RM33,799,000) were pledged to secure bank facilities granted to the Group (Note 21).

At 31 December 2020, the Group's buildings with a total carrying amount of approximately RM37,291,000 (2019: RM38,429,000) were pledged to secure bank facilities granted to the Group (Note 21).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

15. GOODWILL

Integrated
Freight
Forwarding
Services CGU
RM'000

Reconciliation of carrying amounts

At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020

| | |
|-----------------------------|-------|
| Cost | 286 |
| Accumulated impairment loss | (286) |

At 31 December 2019 and 2020

Goodwill of RM286,000 (gross amount) arising from the integrated freight forwarding services business (the "Integrated Freight Forwarding Services CGU") represented the acquisition of 100% equity interests in Infinity Lines (MY) at an aggregated consideration of RM1,025,000 in November 2007. The excess of fair value of the consideration transferred over the acquisition date fair value of the identifiable assets acquired and the liabilities assumed of approximately RM286,000 is recognised as goodwill, and was fully impaired in prior years.

16. INTEREST IN ASSOCIATES

| | 2020 RM'000 | 2019 RM'000 |
|---------------------|----------------|----------------|
| Share of net assets | 501 | 1 |

Details of the associates at the end of each reporting period are as follows:

| Name of the associates | Principal place of business and place of incorporation | Registered and paid-up capital | Proportion of value of registered and paid-up capital indirectly held by the Company | | Principal activities |
|---|--|-------------------------------------|--|------|---------------------------------------|
| | | | 2020 | 2019 | |
| Asia Global Connection NP Sdn. Bhd. | Malaysia | RM100,000 | 40% | 40% | Depot and transport handling services |
| Emirates Supply Chain Services Sdn. Bhd. ("Emirates Supply Chain (MY)") | Malaysia | RM500,000 (2019: RM10) (Note) | 30% | 30% | Depot and transport handling services |
| Ideal Dragon Sdn. Bhd. | Malaysia | RM625,000 | 40% | — | Investment holding |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

16. INTEREST IN ASSOCIATES (continued)

All of the above associates are accounted for using the equity method. There are no capital commitment and contingent liabilities in relation to the associates themselves.

Note:

During the year ended 31 December 2020, 499,990 ordinary shares were allotted by Emirates Supply Chain (MY) in which 149,997 ordinary shares were issued to the Group at a consideration of approximately RM150,000, and was fully paid during the year. Upon completion of the allotment of shares, the Group still holds 30% equity interests in Emirates Supply Chain (MY).

Relationship with associates

The associates are principally engaged in logistic related business and do not directly and significantly compete with the Group's business.

Fair value of investments

All of the above associates are private companies and there is no quoted market price available for the investments.

Financial information of individually immaterial associates

The table below shows, in aggregate, the carrying amount and the Group's share of results of associates that are not individually material and accounted for using the equity method.

| | 2020 RM'000 | 2019 RM'000 |
|---|----------------|----------------|
| Carrying amount of interests, mainly represented by bank balances and cash, trade receivables and trade payables of the associates | 501 | 1 |
| | 2020 RM'000 | 2019 RM'000 |
| Group's share of: | | |
| Profit (Loss) | 100 | (32) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

17. INVENTORIES

| | 2020 RM'000 | 2019 RM'000 |
|----------------|----------------|----------------|
| Raw materials | 9,162 | 4,124 |
| Finished goods | 3,886 | 4,252 |
| | 13,048 | 8,376 |

18. TRADE AND OTHER RECEIVABLES

| | Notes | 2020 RM'000 | 2019 RM'000 |
|--------------------------|-------|----------------|----------------|
| Trade receivables | | | |
| From third parties | | 47,367 | 43,734 |
| From related companies | | 51 | 22 |
| | | 47,418 | 43,756 |
| Less: Loss allowance | 29 | (1,074) | (1,427) |
| | 18(a) | 46,344 | 42,329 |
| Other receivables | | | |
| Deposits paid | | 2,509 | 2,099 |
| Other receivables | | 895 | 605 |
| Prepayments | | 3,575 | 2,790 |
| | | 6,979 | 5,494 |
| | | 53,323 | 47,823 |

All of the trade and other receivables that are classified as current assets are expected to be recovered or recognised as expense within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

18. TRADE AND OTHER RECEIVABLES (continued)

18(a) Trade receivables

The trade receivables from related parties are unsecured, interest-free and with credit period ranged from 30 to 60 days.

The Group grants credit period ranged from 7 to 60 days from the date of issuance of invoices to its customers.

The ageing analysis of trade receivables based on invoice date at the end of each reporting period is as follows:

| | 2020 RM'000 | 2019 RM'000 |
|----------------------|----------------|----------------|
| Within 30 days | 21,396 | 20,508 |
| 31 to 60 days | 9,193 | 10,668 |
| 61 to 90 days | 5,239 | 4,912 |
| Over 90 days | 11,590 | 7,668 |
| | 47,418 | 43,756 |
| Less: Loss allowance | (1,074) | (1,427) |
| | 46,344 | 42,329 |

Information about the Group's exposure to credit risks and loss allowance for trade and other receivables is included in Note 29 to the consolidated financial statements.

19. RESTRICTED BANK BALANCES

Pursuant to the bank guarantee agreements signed with a bank in Malaysia, the amounts represent deposits in the bank in Malaysia maintained solely for the issuance of bank guarantee to the extent of approximately RM35,000 and RM35,000 at 31 December 2020 and 2019, respectively, to suppliers and are restricted for use by the Group for any other purposes. The restricted bank balances are denominated in RM. None of the bank guarantee was utilised by the Group at 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

20. TRADE AND OTHER PAYABLES

| | Notes | 2020 RM'000 | 2019 RM'000 |
|---|-------|----------------|----------------|
| Trade payables | | | |
| To third parties | | 23,288 | 18,089 |
| To related companies | | 193 | 1,081 |
| | 20(a) | 23,481 | 19,170 |
| Other payables | | | |
| Accruals and other payables (Note) | | 4,898 | 7,038 |
| Other payables for acquisition of property, plant and equipment | | 4,150 | 6,354 |
| Provision for leakage claims | 20(b) | 152 | 213 |
| Contract liabilities | 20(c) | — | 231 |
| | | 9,200 | 13,836 |
| | | 32,681 | 33,006 |

Note: The amount at 31 December 2019 included accrued initial listing expenses of approximately RM1,220,000.

20(a) Trade payables

The trade payables to related parties are unsecured, interest-free and with credit period of 30 days.

At the end of each reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

| | 2020 RM'000 | 2019 RM'000 |
|----------------|----------------|----------------|
| Within 30 days | 13,870 | 8,180 |
| 31 to 60 days | 3,650 | 4,816 |
| 61 to 90 days | 1,171 | 1,046 |
| Over 90 days | 4,790 | 5,128 |
| | 23,481 | 19,170 |

The credit term on trade payables is up to 30 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

20. TRADE AND OTHER PAYABLES (continued)

20(b) Provision for leakage claims

| | 2020 <i>RM'000</i> | 2019 <i>RM'000</i> |
|--|-----------------------|-----------------------|
| At the beginning of the reporting period | 213 | 2,392 |
| Provision (Reversal) | 520 | (506) |
| Utilisation | (581) | (1,673) |
| At the end of the reporting period | <u>152</u> | <u>213</u> |

In the ordinary course of business, the Group will rectify any defects arising within two years from the date of provision of flexitank solution and related services. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of provision of flexitank solution and related services made within two years prior to the end of the reporting period. The amount of provision takes into account the Group's recent claims experience.

20(c) Contract liabilities

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within IFRS 15 during the years ended 31 December 2020 and 2019 are as follows:

| | 2020 <i>RM'000</i> | 2019 <i>RM'000</i> |
|--|-----------------------|-----------------------|
| At the beginning of the reporting period | 231 | 839 |
| Receipt of advances | — | 231 |
| Recognised as revenue | (231) | (839) |
| At the end of the reporting period | <u>—</u> | <u>231</u> |

The Group applies the practical expedient and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

21. BANK OVERDRAFTS AND INTEREST-BEARING BORROWINGS

At the end of the reporting period, the details of the bank overdrafts and interest-bearing borrowings of the Group are as follows:

| | Notes | 2020 RM'000 | 2019 RM'000 |
|---------------------------------------|-------|----------------|----------------|
| Bank overdrafts — secured | 21(a) | 8,455 | 9,358 |
| Interest-bearing borrowings — secured | 21(b) | 50,735 | 59,971 |
| | | 59,190 | 69,329 |

21(a) Bank overdrafts — secured

| | 2020 | | 2019 | |
|---------------------------|---|--------|---|--------|
| | Interest rate (%) | RM'000 | Interest rate (%) | RM'000 |
| Bank overdrafts — secured | Base financing rate + 4% per annum | 8,455 | Base financing rate + 4% per annum | 9,358 |

21(b) Interest-bearing borrowings

At 31 December 2020 and 2019, the interest-bearing borrowings represent amounts due to various banks which are repayable ranging from within one year to over five years.

At 31 December 2020 and 2019, the weighted average effective interest rate on interest-bearing borrowings was 4.72% (2019: 4.85%) per annum, respectively.

At the end of each reporting period, details of the interest-bearing borrowings of the Group are as follows:

| | 2020 RM'000 | 2019 RM'000 |
|-------------------------|----------------|----------------|
| Secured bank borrowings | | |
| — Current portion | 5,005 | 9,193 |
| — Non-current portion | 45,730 | 50,778 |
| | 50,735 | 59,971 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

21. BANK OVERDRAFTS AND INTEREST-BEARING BORROWINGS *(continued)*

21(b) Interest-bearing borrowings *(continued)*

| | 2020 RM'000 | 2019 RM'000 |
|---|----------------|----------------|
| Carrying amounts of the above borrowings are repayable: | | |
| Within one year | 5,005 | 9,193 |
| More than one year, but not exceeding two years | 5,012 | 5,004 |
| More than two years, but not exceeding five years | 15,075 | 15,055 |
| Over five years | 25,643 | 30,719 |
| | 50,735 | 59,971 |
| Less: amounts shown under current liabilities | (5,005) | (9,193) |
| Amounts shown under non-current liabilities | 45,730 | 50,778 |

At 31 December 2020 and 2019, the bank overdrafts and interest-bearing borrowings are secured by:

- (i) leasehold lands and construction-in-progress owned by the Group with aggregate net carrying amount of approximately RM33,451,000 (2019: RM33,799,000), as set out in Note 14 to the consolidated financial statements;
- (ii) buildings owned by the Group with aggregate net carrying amount of approximately RM37,291,000 (2019: RM38,429,000), as set out in Note 14 to the consolidated financial statements;
- (iii) a building owned by a related company ultimately controlled by the Ultimate Controlling Parties; and
- (iv) guarantees provided by the Company (2019: guarantees provided by the Ultimate Controlling Parties).

All of the banking facilities are subject to the fulfilment of covenants relating to certain subsidiaries' financial ratios based on their statements of financial position, as are commonly found in lending arrangements with financial institutions. If the subsidiaries were to breach the covenants, the drawn down facilities would become repayable on demand. At 31 December 2020 and 2019, none of the covenants relating to drawn down facilities had been breached.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

22. LEASES

| | 2020 RM'000 | 2019 RM'000 |
|--------------------------------------|----------------|----------------|
| Right-of-use assets (Note 14) | | |
| Leased properties | 34,745 | 29,194 |
| Leasehold lands | 37,228 | 37,509 |
| Containers | 1,226 | 3,672 |
| Motor vehicles | 1,572 | — |
| | 74,771 | 70,375 |
| | | |
| | 2020 RM'000 | 2019 RM'000 |
| Lease liabilities | | |
| Current | 6,157 | 7,471 |
| Non-current | 22,944 | 19,754 |
| | 29,101 | 27,225 |

In addition to the information disclosed in Notes 7 and 14 to the consolidated financial statements, the Group had the following amounts relating to leases during the years ended 31 December 2020 and 2019:

| | 2020 RM'000 | 2019 RM'000 |
|---|----------------|----------------|
| Depreciation charge of right-of-use assets | | |
| Leased properties | 2,944 | 3,650 |
| Leasehold lands | 281 | 514 |
| Containers | 945 | 2,023 |
| Motor vehicles | 353 | 519 |
| | 4,523 | 6,706 |

For the years ended 31 December 2020 and 2019, the total cash outflow for leases was approximately RM12,049,000 and RM13,596,000, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

22. LEASES (continued)

Lease liabilities:

| | Lease payments | | Present value of lease payments | |
|---|----------------|----------------|---------------------------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Amount payable: | | | | |
| Within one year | 7,759 | 9,016 | 6,157 | 7,471 |
| More than one year, but not exceeding two years | 3,525 | 6,289 | 2,197 | 5,162 |
| More than two years, but not exceeding five years | 6,687 | 6,501 | 3,428 | 4,101 |
| After five years | 30,401 | 20,192 | 17,319 | 10,491 |
| | 48,372 | 41,998 | 29,101 | 27,225 |
| Less: future finance charges | (19,271) | (14,773) | — | — |
| Total lease liabilities | 29,101 | 27,225 | 29,101 | 27,225 |

23. DEFERRED TAXATION

The movement in the Group's deferred tax liabilities arising from depreciation allowance for the years ended 31 December 2020 and 2019 was as follows:

| | 2020 RM'000 | 2019 RM'000 |
|--|----------------|----------------|
| At the beginning of the reporting period | 99 | 544 |
| Charged (Credited) to profit or loss (Note 10) | 1,616 | (445) |
| At the end of the reporting period | 1,715 | 99 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

24. SHARE CAPITAL

| | Notes | Number of shares | HK\$ | Equivalent to RM |
|---|-------|-----------------------|--------------------|-------------------|
| Ordinary share of HK\$0.01 each | | | | |
| Authorised: | | | | |
| At 7 March 2019 (date of incorporation) | | 38,000,000 | 380,000 | 203,200 |
| Increase | (iii) | 14,962,000,000 | 149,620,000 | 80,010,700 |
| At 31 December 2019 and 2020 | | 15,000,000,000 | 150,000,000 | 80,213,900 |
| Issued and fully paid: | | | | |
| At 7 March 2019 (date of incorporation) | (i) | 1 | 0.01 | —* |
| Issuance of shares under the Reorganisation | (ii) | 1,999 | 19.99 | 11 |
| At 31 December 2019 | | 2,000 | 20.00 | 11 |
| Capitalisation Issue | (iv) | 1,499,998,000 | 14,999,980 | 7,888,489 |
| Issue of shares pursuant to the Share Offer | (v) | 500,000,000 | 5,000,000 | 2,629,500 |
| At 31 December 2020 | | 2,000,000,000 | 20,000,000 | 10,518,000 |

* Represents amount less than RM1.

Notes:

- (i) Upon incorporation, 1 ordinary share was allotted and issued to Dato' Chan Kong Yew at par value.
- (ii) On 13 December 2019, the Company acquired all the issued shares of ILNT 2926 and IBL 2926 from 2926 Holdings and Mr. Teo Guan Kee and in consideration thereof, the Company allotted and issued 1,889 shares credited as fully paid to 2926 Holdings and 110 shares credited as fully paid to Mr. Teo Guan Kee, respectively. Due to the fact that the issuance of shares is only a step of the Reorganisation, the shares of the Company as issued were recorded at par value.
- (iii) On 14 December 2019, the authorised share capital of the Company was increased by HK\$149,620,000 by the creation of an additional of 14,962,000,000 shares of HK\$0.01 each.
- (iv) Pursuant to the resolutions in writing of the Company's shareholders passed on 14 December 2019, subject to the share premium account of the Company being credited as a result of the issue of the Company's shares under the Listing, the directors of the Company were authorised to allot and issue a total of 1,499,998,000 shares of HK\$0.01 each to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK\$14,999,980 standing to be credit of the share premium account of the Company (the "Capitalisation Issue") and the shares to be allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the rights to participate in the Capitalisation Issue). The Capitalisation Issue was fully completed on 21 January 2020.
- (v) On 21 January 2020, the shares of the Company were listed on the Main Board of the Stock Exchange and 500,000,000 shares of HK\$0.01 each were issued at HK\$0.31 per share by way of share offer (the "Share Offer"). The gross proceeds from the share offer amounted to HK\$155,000,000 (equivalent to approximately RM81,515,000). The expenses attributable to issue of shares pursuant to the Share Offer of approximately RM8,922,000 were recognised in the share premium account of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

25. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Pursuant to the disclosure requirement of the Hong Kong Companies Ordinance, the statement of financial position of the Company and the movement in its reserves is set out below:

| | Notes | 2020 RM'000 | 2019 RM'000 |
|---------------------------------|-------|----------------|----------------|
| Non-current assets | | | |
| Investment in subsidiaries | | — | — |
| Current assets | | | |
| Other receivables | | 175 | — |
| Amounts due from subsidiaries | 25(a) | 72,064 | — |
| Bank balances and cash | | 239 | — |
| | | 72,478 | — |
| Current liabilities | | | |
| Accruals | | (501) | — |
| Amounts due to subsidiaries | 25(a) | (45) | (34) |
| | | (546) | (34) |
| NET ASSETS (LIABILITIES) | | 71,932 | (34) |
| Capital and reserves | | | |
| Share capital | 24 | 10,518 | —* |
| Reserves | 25(b) | 61,414 | (34) |
| TOTAL EQUITY (DEFICIT) | | 71,932 | (34) |

* Represents amount less than RM1,000.

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 19 March 2021 and signed on its behalf by

Dato' Chan Kong Yew
Director

Dato' Kwan Siew Deeg
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

25. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

25(a) Amounts due from (to) subsidiaries

The amounts due are unsecured, interest-free and repayable on demand.

25(b) Movements of reserves of the Company

| | Share premium RM'000 <i>(Note 26(a))</i> | Exchange reserve RM'000 <i>(Note 26(c))</i> | Accumulated losses RM'000 | Total RM'000 |
|--|---|--|---------------------------------|-----------------|
| Year ended 31 December 2019 | | | | |
| At 7 March 2019 (at incorporation) | — | — | — | — |
| Loss for the period | — | — | (34) | (34) |
| At 31 December 2019 | — | — | (34) | (34) |
| Year ended 31 December 2020 | | | | |
| At 1 January 2020 | — | — | (34) | (34) |
| Profit for the year | — | — | 6,034 | 6,034 |
| Other comprehensive loss | | | | |
| <i>Item that will not be reclassified to profit or loss:</i> | | | | |
| Exchange differences on translation of Company's financial statements to presentation currency | — | (661) | — | (661) |
| Transactions with owners | | | | |
| <i>Contributions and distributions</i> | | | | |
| Issue of shares pursuant to the Capitalisation Issue <i>(Note 24(iv))</i> | (7,888) | — | — | (7,888) |
| Issue of shares pursuant to the Share Offer <i>(Note 24(v))</i> | 78,885 | — | — | 78,885 |
| Transaction costs attributable to issue of shares <i>(Note 24(v))</i> | (8,922) | — | — | (8,922) |
| Dividends <i>(Note 12)</i> | — | — | (6,000) | (6,000) |
| | 62,075 | — | (6,000) | 56,075 |
| At 31 December 2020 | 62,075 | (661) | — | 61,414 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

26. RESERVES

26(a) Share premium

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value. Under the laws of the Cayman Islands and the Company's Articles of Association, it is distributable to the Company's shareholders provided that the Company is able to pay its debts as they fall due in the ordinary course of business.

26(b) Capital reserve

Capital reserve of the Group represents the aggregate amount of the paid-up share capital of the entities now comprising the Group before completion of the Reorganisation less consideration paid to acquire the relevant interests (if any) in relation to the Reorganisation.

26(c) Exchange reserve

The translation reserve comprises all foreign exchange differences arising from the translation of foreign operations for combinations/translation of Company's financial statements to presentation currency.

27. ADDITIONAL INFORMATION ON CASH FLOWS

(a) Major non-cash transactions

In addition to the information disclosed elsewhere in the consolidated financial statements, the Group had the following major non-cash transactions:

- (i) During the year ended 31 December 2020, the Group entered into lease arrangements in respect of right-of-use assets with a total capital value at the inception of the leases of approximately RM10,419,000 (2019: RM14,161,000).
- (ii) During the year ended 31 December 2020, the Group incurred payables of approximately RM4,150,000 (2019: RM6,354,000) to the constructors for the addition of property, plants and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

27. ADDITIONAL INFORMATION ON CASH FLOWS (continued)

(b) Reconciliation of liabilities arising from financing activities

The movements during the years ended 31 December 2020 and 2019 in the Group's liabilities arising from financing activities are as follows:

| | At 1 January 2020 RM'000 | Net cash flows RM'000 | Non-cash changes | | | At 31 December 2020 RM'000 |
|--|-----------------------------------|-----------------------------|---|---------------------------------------|-----------------------------------|-------------------------------------|
| | | | Additions to property, plant and equipment RM'000 | Declaration of dividends RM'000 | Exchange differences RM'000 | |
| Year ended | | | | | | |
| 31 December 2020 | | | | | | |
| Dividends payables | — | (6,000) | — | 6,000 | — | — |
| Interest-bearing borrowings | 59,971 | (9,236) | — | — | — | 50,735 |
| Lease liabilities | 27,225 | (8,543) | 10,419 | — | — | 29,101 |
| | 87,196 | (23,779) | 10,419 | 6,000 | — | 79,836 |
| Year ended | | | | | | |
| 31 December 2019 | | | | | | |
| Dividends payables | — | (18,544) | — | 18,544 | — | — |
| Due from related companies, net | (1,346) | 1,346 | — | — | — | — |
| Due to the Ultimate Controlling Parties | 4,579 | (4,579) | — | — | — | — |
| Interest-bearing borrowings | 34,815 | 25,156 | — | — | — | 59,971 |
| Lease liabilities | 25,041 | (11,967) | 14,161 | — | (10) | 27,225 |
| | 63,089 | (8,588) | 14,161 | 18,544 | (10) | 87,196 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

28. RELATED / CONNECTED PARTY TRANSACTIONS

In addition to the transactions / information disclosed elsewhere in the consolidated financial statements, the Group had the following related / connected party transactions during the years ended 31 December 2020 and 2019:

- (a) Transaction between the group entities have been eliminated on consolidation / combination and are not disclosed. During the years ended 31 December 2020 and 2019, the Group had the following significant transactions with an associate and related companies. In the opinion of the management of the Group, they are under normal commercial terms that are fair and reasonable and in the best interests of the Group.

| Related party relationship | Nature of transaction | 2020 RM'000 | 2019 RM'000 |
|--|---------------------------------------|----------------|----------------|
| An associate | Logistics and related services costs | — | 71 |
| Related companies controlled by the Ultimate Controlling Parties | Logistics and related services income | 83 | 58 |
| | Logistics and related services costs | 1,072 | 1,197 |

- (b) Remuneration for key management personnel (including directors) of the Group:

| | 2020 RM'000 | 2019 RM'000 |
|--|----------------|----------------|
| Salaries, allowances and other benefits in kinds | 1,397 | 1,428 |
| Discretionary bonus | — | — |
| Contributions to defined contribution plans | 165 | 151 |
| | 1,562 | 1,579 |

Further details of the directors' remuneration are set out in Note 8 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of trade and other receivables, restricted bank balances, bank balances and cash, trade and other payables, bank overdrafts, interest-bearing borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group generally adopts conservative strategies on its risk management and limits the Group's exposure to these risks to a minimum level as follows:

Interest rate risk

At 31 December 2020, the Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank overdrafts and interest-bearing borrowings of approximately RM59,190,000 (2019: RM69,329,000) with floating interest rate. The Group currently does not have a policy to hedge against the interest rate risk as the management of the Group does not expect any significant interest rate risk at the end of each reporting period.

At the end of the reporting period, if interest rate has been 1% (2019: 1%) higher/lower and all other variables were held constant, the Group's pre-tax results would decrease/increase by approximately RM592,000 (2019: RM693,000) for the year ended 31 December 2020.

The sensitivity analysis above has been determined assuming that the change in interest rate had occurred throughout the year and had been applied to the exposure to interest rate risk for the closing balance of bank overdrafts and interest-bearing borrowings in existence at the end of each reporting period. The stated changes represent management's assessment of a reasonably possible change in interest rates over the next twelve months after the end of reporting period.

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the inherent interest rate risk because the exposure at the end of each reporting period does not reflect the exposure during the years ended 31 December 2020 and 2019.

Foreign currency risk

The Group's transactions are mainly denominated in RM, SGD and US\$.

Certain financial assets and financial liabilities of the Group are denominated in currencies other than the functional currency of the respective group entities and therefore exposed to foreign currency risk. The carrying amounts of those financial assets and liabilities are analysed as follows:

| | Financial assets | | Financial liabilities | |
|------|------------------|----------------|-----------------------|----------------|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| SGD | 2,442 | 1,356 | 653 | 707 |
| US\$ | 19,454 | 29,161 | 10,835 | 6,328 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table indicates the approximate change in the Group's pre-tax results if exchange rates of SGD and US\$ had changed against the functional currencies of the respective group entities by 5% and all other variables were held constant at the end of each reporting period.

| | 2020 | | 2019 | |
|------|---|---|---|---|
| | Increase (decrease) in foreign exchange rates | Effect on profit before tax RM'000 | Increase (decrease) in foreign exchange rates | Effect on profit before tax RM'000 |
| SGD | 5% (5%) | 89 (89) | 5% (5%) | 32 (32) |
| US\$ | 5% (5%) | 431 (431) | 5% (5%) | 1,142 (1,142) |

The sensitivity analysis has been determined assuming that the changes in foreign exchange rates had occurred at the end of each reporting period and had been applied to the Group's 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 next 12 months after the end of each reporting period.

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of each reporting period does not reflect the exposure during the years ended 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Group, resulting in a loss to the Group. The Group's credit risk is mainly attributable to trade and other receivables, restricted bank balances and bank balances and cash. The Group limits its exposure to credit risk by selecting the counterparties with reference to their past credit history and/or market reputation. The Group's maximum exposure to the credit risk is summarised as follows:

| | 2020 <i>RM'000</i> | 2019 <i>RM'000</i> |
|-----------------------------|-----------------------|-----------------------|
| Trade and other receivables | 49,748 | 45,033 |
| Restricted bank balances | 35 | 35 |
| Bank balances and cash | 72,065 | 17,180 |
| | 121,848 | 62,248 |

Trade receivables

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of two months.

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. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Group's own trading records.

At 31 December 2020, the Group had a concentration of credit risk as approximately 4% (2019: 7%) of the total trade receivables was due from the Group's largest trade debtor, and approximately 16% (2019: 20%) of the total trade receivables was due from the Group's five largest trade debtors, respectively.

The Group's customer base consists of a wide range of clients and the trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL of trade receivables and recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected loss rate used in the provision matrix is calculated for each category based on historical observed loss rates over the expected life of the trade receivables and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Trade receivables (continued)

There was no change in the estimation techniques or significant assumptions made during the years ended 31 December 2020 and 2019.

At the end of each reporting period, the ageing analysis of the trade receivables of by due date is as follow:

| | 2020 <i>RM'000</i> | 2019 <i>RM'000</i> |
|----------------------|-----------------------|-----------------------|
| Not yet due | 16,176 | 19,081 |
| Past due: | | |
| Within 30 days | 12,717 | 11,191 |
| 31 to 60 days | 6,109 | 5,930 |
| 61 to 90 days | 3,431 | 3,119 |
| Over 90 days | 8,985 | 4,435 |
| | 31,242 | 24,675 |
| | 47,418 | 43,756 |
| Less: Loss allowance | (1,074) | (1,427) |
| | 46,344 | 42,329 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Trade receivables *(continued)*

The information about the exposure to credit risk and ECL for trade receivables using a provision matrix is as follows:

| | Expected loss rate % | Gross carrying amounts RM'000 | Loss allowance RM'000 | Net carrying amounts RM'000 |
|----------------------------|----------------------------|-------------------------------------|-----------------------------|-----------------------------------|
| At 31 December 2020 | | | | |
| Not past due | 0.2% | 16,176 | (26) | 16,150 |
| 1-30 days past due | 1.5% | 12,717 | (187) | 12,530 |
| 31-60 days past due | 1.6% | 6,109 | (95) | 6,014 |
| 61-90 days past due | 1.9% | 3,431 | (64) | 3,367 |
| Over 90 days past due | 7.6% | 8,962 | (679) | 8,283 |
| Individually impaired | 100.0% | 23 | (23) | — |
| | | 47,418 | (1,074) | 46,344 |

| | Expected loss rate % | Gross carrying amounts RM'000 | Loss allowance RM'000 | Net carrying amounts RM'000 |
|----------------------------|----------------------------|-------------------------------------|-----------------------------|-----------------------------------|
| At 31 December 2019 | | | | |
| Not past due | 2.1% | 19,081 | (396) | 18,685 |
| 1-30 days past due | 1.4% | 11,191 | (155) | 11,036 |
| 31-60 days past due | 1.1% | 5,930 | (67) | 5,863 |
| 61-90 days past due | 1.2% | 3,119 | (36) | 3,083 |
| Over 90 days past due | 11.6% | 4,144 | (482) | 3,662 |
| Individually impaired | 100.0% | 291 | (291) | — |
| | | 43,756 | (1,427) | 42,329 |

Included in the loss allowance at 31 December 2020, was provision for doubtful debts for specific unsecured trade receivables with balances of approximately RM23,000 (2019: RM291,000), which the debtors have no recent business relationship with the Group and the Group expects the outstanding amounts could not be recovered in a foreseeable future.

The Group does not hold any collateral over trade receivables at 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Trade receivables (continued)

The movement in the loss allowance for trade receivables is as follows:

| | 2020 RM'000 | 2019 RM'000 |
|--|----------------|----------------|
| At the beginning of the reporting period | 1,427 | 2,966 |
| Reversal of loss allowance | (187) | (1,447) |
| Write off | (166) | (92) |
| At the end of the reporting period | <u>1,074</u> | <u>1,427</u> |

At 31 December 2020, mainly due to a decrease average loss rate resulted in a reversal in loss allowance. Trade receivables of approximately RM166,000 (2019: RM92,000) written off during the year ended 31 December 2020, are still subject to enforcement activities.

Restricted bank balances and bank balances and cash

The management of the Group considers the credit risk in respect of restricted bank balances and bank balances and cash is minimal because the counter-parties are authorised financial institutions with high credit ratings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group has no specific policy for managing its liquidity. The undiscounted contractual maturity profile of the Group's financial liabilities at the end of each reporting period, based on the contractual undiscounted payments, is summarised below:

| | Total carrying amounts <i>RM'000</i> | Total contractual undiscounted cash flows <i>RM'000</i> | Less than 1 year or on demand <i>RM'000</i> | 1 to 2 years <i>RM'000</i> | 2 to 5 years <i>RM'000</i> | Over 5 years <i>RM'000</i> |
|-----------------------------|---|---|--|-------------------------------|-------------------------------|-------------------------------|
| At 31 December 2020 | | | | | | |
| Trade and other payables | 32,529 | 32,529 | 32,529 | — | — | — |
| Bank overdrafts | 8,455 | 8,455 | 8,455 | — | — | — |
| Interest-bearing borrowings | 50,735 | 63,566 | 7,369 | 7,128 | 19,938 | 29,131 |
| Lease liabilities | 29,101 | 48,372 | 7,759 | 3,525 | 6,687 | 30,401 |
| | 120,820 | 152,922 | 56,112 | 10,653 | 26,625 | 59,532 |
| At 31 December 2019 | | | | | | |
| Trade and other payables | 32,562 | 32,562 | 32,562 | — | — | — |
| Bank overdrafts | 9,358 | 9,358 | 9,358 | — | — | — |
| Interest-bearing borrowings | 59,971 | 75,414 | 11,804 | 7,369 | 20,661 | 35,580 |
| Lease liabilities | 27,225 | 41,998 | 9,016 | 6,289 | 6,501 | 20,192 |
| | 129,116 | 159,332 | 62,740 | 13,658 | 27,162 | 55,772 |

Fair value

All financial assets and liabilities are carried at amounts not materially different from their fair values at 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

30. COMMITMENTS

(a) Lease commitments

The Group as lessor

The Group leases out its warehouses under operating leases with average lease terms of 2 years and with options to renew the leases upon expiry at new terms. The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

| | 2020 <i>RM'000</i> | 2019 <i>RM'000</i> |
|---------------------------------------|-----------------------|-----------------------|
| Within one year | 7,527 | 5,929 |
| Over one year but within two years | 3,028 | 6,008 |
| Over two years but within three years | 2,397 | 1,517 |
| | 12,952 | 13,454 |

The unguaranteed residual value risk from the Group's warehouses under operating lease is not significant, as the warehouses located in a location with a constant increase in value over prior years.

(b) Capital expenditure commitments

| | 2020 <i>RM'000</i> | 2019 <i>RM'000</i> |
|--|-----------------------|-----------------------|
| Contracted but not provided for acquisition of property, plant and equipment | 43,605 | 576 |

31. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for equity owners. The Group manages its capital structure and makes adjustments, including payment of dividend to equity owners, call for additional capital from equity owners or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 2019.

FINANCIAL SUMMARY

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years. The financial information for the years ended 31 December 2018, 2019 and 2020 is extracted from the consolidated financial statements in this annual report while that for the years ended 31 December 2016 and 2017 is extracted from the Prospectus.

RESULTS

| | FY2016 (RM'000) | FY2017 (RM'000) | FY2018 (RM'000) | FY2019 (RM'000) | FY2020 (RM'000) |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|----------------------------|
| Revenue | 189,253 | 188,613 | 201,183 | 209,432 | 223,669 |
| Profit before tax | 12,723 | 10,649 | 26,179 | 25,058 | 30,968 |
| Income tax expenses | (906) | (1,716) | (3,676) | (5,578) | (5,859) |
| Profit for the year | 11,817 | 8,933 | 22,503 | 19,480 | 25,109 |
| Profit for the year attributable to: | | | | | |
| Equity holders of the Company | 11,817 | 8,933 | 22,529 | 19,480 | 25,109 |
| Non-controlling interest | — | — | (26) | — | — |
| | 11,817 | 8,933 | 22,503 | 19,480 | 25,109 |

ASSETS AND LIABILITIES

| | FY2016 (RM'000) | FY2017 (RM'000) | FY2018 (RM'000) | FY2019 (RM'000) | FY2020 (RM'000) |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|----------------------------|
| Total assets | 136,633 | 170,769 | 195,052 | 218,108 | 296,863 |
| Total liabilities | 80,694 | 107,031 | 112,309 | 134,811 | 122,979 |
| | 55,939 | 63,738 | 82,743 | 83,297 | 173,884 |
| Equity attributable to: | | | | | |
| Equity holders of the Company | 55,939 | 63,738 | 82,743 | 83,297 | 173,884 |
| Non-controlling interest | — | — | — | — | — |
| | 55,939 | 63,738 | 82,743 | 83,297 | 173,884 |