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WORLDGATE GLOBAL LOGISTICS LTD
盛良物流有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8292)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED
(THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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*This announcement, for which the directors (the “**Directors**”) of WORLDGATE GLOBAL LOGISTICS LTD (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

The board (the “**Board**”) of Directors hereby announces that the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2019. This announcement, containing the full text of the Annual Report 2019, complies with the relevant requirements of the GEM Listing Rules in relation to information to accompany preliminary announcement of the annual results.

By order of the Board
WORLDGATE GLOBAL LOGISTICS LTD
Lai Kwok Hei
Chairman

Hong Kong, 26 March 2020

As at the date of this report, the executive Directors are Mr. LAI Kwok Hei, Ms. WEN Jianping and Ms TSUI Ka Mei; and the independent non-executive Directors are Mr. WONG Siu Keung Joe, Ms WONG Hoi Yan Audrey and Mr MA Kin Hung.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for a minimum period of seven days from the date of its publication and on the Company’s website at <http://www.worldgate.com.hk>.

CONTENTS

Corporate Information	2
Chairman's Statement & Management Discussion and Analysis	3
Directors and Senior Management	14
Corporate Governance Report	17
Report of the Directors	32
Independent Auditor's Report	41
Consolidated Statement of Profit or Loss and Other Comprehensive Income	46
Consolidated Statement of Financial Position	47
Consolidated Statement of Changes in Equity	49
Consolidated Statement of Cash Flows	50
Notes to the Consolidated Financial Statements	52
Financial Summary	112



CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Lai Kwok Hei (*Chairman*)
Ms. Wen Jianping
Ms. Tsui Ka Mei

Independent Non-executive Directors

Ms. Wong Hoi Yan Audrey
Mr. Ma Kin Hung
Mr. Wong Siu Keung Joe

Authorised Representatives

Mr. Shum Shing Kei

Audit Committee

Mr. Wong Siu Keung Joe (*Chairman*)
Ms. Wong Hoi Yan Audrey
Mr. Ma Kin Hung

Remuneration Committee

Ms. Wong Hoi Yan Audrey (*Chairman*)
Mr. Ma Kin Hung
Mr. Wong Siu Keung Joe

Nomination Committee

Mr. Ma Kin Hung (*Chairman*)
Mr. Lai Kwok Hei
Mr. Wong Siu Keung Joe

Company Secretary

Mr. Shum Shing Kei

Registered Office

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PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarters and Principal Place of Business in Malaysia

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Selangor Darul Ehsan
Malaysia

Principal Place of Business in Hong Kong

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Kowloon
Hong Kong

Principal Share Registrar and Transfer Office in the Cayman Islands

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

Hong Kong Branch Share Registrar and Transfer Office

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F
148 Electric Road
North Point
Hong Kong

Auditor

Elite Partners CPA Limited
Certified Public Accountants

Principal Bankers

DBS Bank (Hong Kong) Limited
Malayan Banking BHD
Public Bank BHD
Alliance Bank Malaysia BHD

Website

www.worldgate.com.hk

Stock Code

8292

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

On behalf of the board of Directors (the "**Board**"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019 (the "**Financial Year**").

The Group is a well-established integrated logistics solution provider in Malaysia principally engaged in providing international freight forwarding and logistics services, with a primary focus on air/sea freight forwarding and related services, trucking and warehousing to customers worldwide, the Group has set up the logistics services business and trading of mobile business in Hong Kong during the Financial Year.

Business Review

Integrated logistics services business

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

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



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

1. Air Freight Forwarding and Related Services

During the Financial Year, the revenue from the air freight services was the second largest source of income which accounted for approximately RM18.8 million (2018: RM32.6 million), representing a decrease of about 42.3% as compared to that of last year. Revenue from air freight services mainly consists of fee of import and export air freight cargo space, customs clearance, local trucking and haulage to and from seaport and customers/warehouses, other services related to air freight. Such revenue is mainly driven by the volume of goods, type of services provided, type of cargo, among other factors.

The shipment volume of the Group's air freight forwarding and related services for the year ended 31 December 2019 and 2018 is set out in the table as below:

	For the year ended 31 December	
	2019 '000 kg	2018 '000 kg
Air freight shipment volume		
(a) Export	4,575	5,933
(b) Import	2,862	3,507

2. Sea Freight Forwarding and Related Services

During the Financial Year, the revenue from the sea freight services was the largest source of income which accounted for approximately RM34.4 million (2018: RM34.4 million). Revenue from sea freight services mainly consists of fee of import and export sea freight cargo space, customs clearance, local trucking and haulage to and from seaport and customers/warehouses, other services related to sea freight. Such revenue is driven by the volume of goods, type of services provided, type of cargo, among other factors.

The shipment volume in Twenty-foot Equivalent Unit ("TEU") of the Group's sea freight forwarding and related services for the year ended 31 December 2019 and 2018 is set out in the table as below:

	For the year ended 31 December	
	2019 TEU	2018 TEU
Sea freight shipment volume		
(a) Export	9,744	7,214
(b) Import	10,537	11,772

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

3. *Trucking and Warehousing and Related Services*

(i) **Trucking and Related Services**

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

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

During the Financial Year, the revenue from the trucking services which does not involve air freight or sea freight accounted for approximately RM6.2 million (2018: RM3.8 million). Revenue from such services mainly consists of delivery fee for trucking services for both Hong Kong and Malaysia. Such revenue is mainly driven by the volume of goods delivered, and the numbers of trips and types of customers served, among other factors.

(ii) **Warehousing and Related Services**

The Group's warehousing business mainly serves a supporting role for its freight forwarding services. The Group's warehousing services provided in Port Klang mainly consisted of general warehousing services. The warehousing services provided in Kuala Lumpur and Penang airports mainly served as temporary storages of goods for the Group's international air freight business. Therefore, revenue from the Group's warehouse business only accounted for an insignificant portion of about 1% of the Group's total revenue for the year ended 31 December 2018 and 2019.

Trading of used mobile phones business

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

During the Financial Year, the Group recorded a revenue from the trading of used mobile phones of approximately RM4.1 million (2018: RM2.5 million), representing approximately 6.4% of our total revenue. The segment profit before taxation was approximately RM0.1 million (2018: RM0.1 million). It is expected that the New Business may also improve the capital usage efficiency of the Company and generate additional investment returns on the idle funds of the Company.

Change in use of proceeds for setting up the logistics business in Hong Kong

Reference is made to the Company's announcement dated 12 November 2019, the Group has reallocated approximately HK\$17.7 million, which was originally allocated for growing the Group's business strategically through business acquisitions or business collaboration, towards the financing of the Group's working capital and setting up the logistics business in Hong Kong. The Board is of the view that reallocation of the unutilised amount of HK\$15 million for setting up the logistics business in Hong Kong will support the Group's New Business and enable the Group to provide potential Chinese and international clients with wider global logistics solutions, which is in line with the overall business strategy of the Group. The reallocation of unutilised amount of HK\$2.7 million in the Net Proceeds as general working capital would also provide the Company with more idle cash to be used in a flexible manner.

During the Financial Year, the Group recorded a revenue from the logistic services in Hong Kong of approximately RM4.0 million (2018: Nil), representing approximately 6.3% of our total revenue. The Board considers that the above adjustments to the intended use of proceeds will more effectively cater for the Group's financial and business needs and are in the best interests of the Company and its shareholders as a whole.



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

Future Prospects and Outlook

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

The Group has recently attracted a new customer which is a forwarding agent of a world leading multinational engineering and electronics company headquartered in Germany. It is expected that the new customer will generate recurring business and it may have a positive impact on our revenue. Besides, the Group setting up the logistics business in Hong Kong in order to absorb Chinese and international clients. The Board is of the view that the new trading business will diversify the income stream of the Company and broaden its revenue base. It is expected that it may also improve the capital usage efficiency of the Company and generate additional investment returns on the idle funds of the Company.

Financial Review

Integrated logistics services business

Revenue

The Group's total revenue from the integrated logistics services amounted to approximately RM60.2 million and RM71.8 million for the year ended 31 December 2019 and 2018. Majority of the Group's income was attributable to integrated logistics services for the year ended 31 December 2019 and 2018. For the Financial Year, approximately 29.2% and 53.4% of the Group's revenue was attributable to air freight services and sea freight services respectively. For the year ended 31 December 2018, approximately 43.9% and 46.3% of the Group's turnover was attributable to air freight services and sea freight services respectively.

Revenue from the integrated logistics services for the Finance Year decreased by approximately 16.1% or approximately RM11.6 million as compared to that of the previous year. The decrease was mainly due to revenue from Customer I and Customer II decreased by approximately 61% and 67% or a total of RM9.5 million as compared with the last year.

Cost of Sales

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

In line with the decrease in shipment volume and revenue, the cost of sales for the Financial Year decreased by approximately 18.2% or RM10.9 million as compared to that of the previous year.

Gross Profit and Gross Profit Margin

The gross profit decreased by approximately 5.8% from RM12.1 million for the year ended 31 December 2018 to RM11.4 million for the Financial Year. It was mainly due to the revenue generated from air freight services for the year ended 31 December 2019 decreased 42.3% where the shipment volume decrease about 26.9% from about 9.4 million kg for the year ended 31 December 2018 to about 7.4 million kg for the Financial Year. Further, there was no significant changes for the revenue generated from sea freight services for the year ended 31 December 2019 where the shipment volume increase about 6.4% from about 18,986 TEU for the year ended 31 December 2018 to about 20,281 TEU for the Financial Year. Besides, trucking and related services increased by approximately 62.2% from RM3.8 million for the year ended 31 December 2018 to RM6.2 million for the Financial Year. It was mainly due to the implementation of logistics services in Hong Kong. With the combined effects of revenue and cost of sales, the Group's gross profit margin of integrated logistics services increased to 18.9% for the year ended 31 December 2019 from 16.9% for the year ended 31 December 2018.

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

Trading of used mobile phones business

The Group commenced its trading of used mobile phones segment and generated revenue in the Financial Year. Revenue from trading of used mobile phones business of approximately RM4.1 million and RM2.5 million for the year ended 31 December 2018 and the Financial Year. The gross profit margin was decreased to 4.7% for the Financial Year from 4.8% for the year ended 31 December 2018.

Administrative Expenses

The administrative expenses were RM15.6 million, and RM15.4 million for the Financial Year and the year ended 31 December 2018. The administrative expenses mainly consist staff cost, operating leases and depreciation of property, plant and equipment.

Finance Costs

Finance costs represent interest on bank overdrafts, bank borrowings and lease liabilities. During the Financial Year, the Group's financial cost amounted to approximately RM1.0 million (2018: RM1.0 million).

Income Tax Expense

During the Financial Year, the Group recorded income tax expenses of approximately RM0.2 million (2018: RM0.6 million).

The Ministry of International Trade and Industry of Malaysia ("MITIM") had certified the subsidiary of the Group is carrying out promoted activities in Malaysia and granted a pioneer certificate for a period of five years from 1 July 2014 to 30 June 2019. This subsidiary entitled to a tax exemption of 70% on its statutory income for each of the tax assessment years from 1 July 2014 to 30 June 2019. During the Financial Year, the Group entitled to a tax exemption amount of approximately RM42,000 (2018: RM138,000).

Hong Kong profit tax is calculated on the basis at 8.25% of the estimated assessable profits up to HK\$2,000,000 and 16.5% on any part of the estimated assessable profit over HK\$2,000,000 for the period (2018: 16.5%).

Loss for the year and Loss per Share

The Group recorded a loss of approximately RM4.5 million for the Financial Year (2018: RM3.9 million). The Group's loss per share for the Financial Year was RM0.5663 sen (2018: RM0.4873 sen).

Liquidity, Financial Resources and Capital Structure

As at 31 December 2019,

- (a) the Group's net current assets was approximately RM29.4 million (2018: RM35.1 million) and the Group had cash and bank balance of approximately RM21.3 million (2018: RM24.2 million);
- (b) the Group had bank borrowings and overdrafts and lease liabilities of approximately RM12.7 million (2018: RM13.6 million) and RM4.0 million (2018: RM2.1 million);
- (c) the Group's current ratio was approximately 4.8 times (2018: 4.7 times). The gearing ratio is calculated by dividing total debt by total equity at the end of the respective years. The Group's gearing ratio was approximately 40.8% (2018: 34.4%); and
- (d) the Group's total equity attributable to owners of the Company amounted to RM40.9 million (2018: RM45.6 million). The capital of the Company mainly comprises share capital and reserves.

Dividends

The Board does not recommend the payment of a final dividend for the Financial Year (2018: nil).



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

Significant Investments Held by the Group

As at 31 December 2019 and 2018, there was no significant investment held by the Group.

Material Acquisitions and Disposals of Subsidiaries

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

Capital Commitments

As at 31 December 2019, the Group did not have any significant capital commitments for purchase of property, plant and equipment .

Pledge of Assets

At the 31 December 2019, certain of the Group's land and buildings with net carrying amount of RM13.2 million (2018: RM13.5 million) were pledged to secure the bank borrowings granted to the Group by licensed banks.

Future Plan for Material Investments and Capital Assets

On 24 February 2020, the Group entered into a sale and purchase agreement with an independent third party for the acquisition of one-third of the issued share capital in the Target Company, which is principally engaged in provision IPO sponsorship services, advisory services with respect to corporate finance transactions, equity financing and private equity investment. Details of the acquisition was set out in the Company's announcements dated 24 February 2020.

Save as disclosed in this report, the Group does not have any concrete plan for material investments or capital assets for the coming year.

Contingent Liabilities

As at 31 December 2018, bank guarantees of RM522,000 of the Group were issued to suppliers for operational requirements. The Directors do not consider probable that a claim will be made against the Group under these guarantees. The bank guarantee was released during the year ended 31 December 2019.

As at 31 December 2019 and 2018, the Company issued corporate guarantee to a bank in respect of bank borrowings and banking facilities granted to a subsidiary.

Principal Risks and Uncertainties

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

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

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

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

1. Risk of failing to renew its licenses

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

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

2. Risk of cargo hijacking, theft and damages

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

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

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

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

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

4. Risk of increase in freight and transportation cost

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

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



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

5. Risk of over dependent on the information technology

The Group's integrated logistics services is highly dependent on information technology and currently uses three systems and one software to manage its customs declaration, operation, payroll and accounting, respectively. Our information systems allow customers to log in to track and trace their cargo, and monitor the level of inventory they have placed for storage at the Group's warehouses. The hardware or software failure relating to IT systems could significantly disrupt customer workflows and cause economic losses for which the Group could be held liable and which could damage its reputation.

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

6. Risk of handling goods contain dangerous or chemical substances

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

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

Foreign Currency Risk

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

As at 31 December 2019 and 2018, the Group did not enter into any foreign currency forward contracts. However, the management will monitor the foreign currency exposure and will consider hedging significant foreign currency exposure if necessary.

Employees and Remuneration Policy

As at 31 December 2019, the Group has a total of 179 (2018: 196) full-time employees. The total employee remuneration including remuneration of the Directors for the Financial Year amounted to RM13.5 million (2018: RM13.9 million).

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

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

Comparison of Business Objectives and Strategies with Actual Business Progress

An analysis comparing the future plans and use of proceeds contained in the Prospectus with the Group's actual business progress for the period from the date of Listing to 31 December 2019 (the "Relevant Period") is set out below:

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



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

Business strategies as stated in the Prospectus	Implementation activities during the Relevant Period as stated in Prospectus	Actual business progress during the Relevant Period
4. Attract and retain talented and experienced employees	(a) Recruitment costs for new talents	New talents were hired to grow the business further. Engagement of an management representative officer to oversee the Group's processes, performance and brand development towards a sustainable business growth.
	(b) Additional recruiting cost for new talents	The Group has hired new talents to further growth of our business.
5. Grow the business strategically through business acquisitions in Singapore	(a) Payment for potential targets	Reallocation of HK\$15 million for setting up the logistics business in Hong Kong and HK\$2.7 million as general working capital.
	(b) Consideration for acquisition	

Use of Proceeds

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

Business strategies as stated in the Prospectus	Planned use of net proceeds as stated in the Prospectus during the Relevant Period	Changed use of net proceeds as stated in the announcement dated 12 November 2019	Actual use of proceeds during the Relevant Period
	HK\$' million	HK\$' million	HK\$' million
1. Further expand its representative/branch office in major gateways of Malaysia	14.6	14.6	2.8
2. Expand the scope of services	4.4	4.4	0.5
3. Further strengthen the information technology systems	6.5	6.5	2.6
4. Attract and retain talented and experienced employees	0.3	0.3	0.3
5. Grow the business strategically through business acquisitions and business collaborations	17.7	—	—
6. Repay loans	3.4	3.4	3.4
7. Working Capital	4.7	7.4	5.6
8. Setting up the logistics business in Hong Kong	—	15.0	7.5
Total	51.6	51.6	22.7

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

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

Lai Kwok Hei

Chairman

Hong Kong, 26 March 2020



DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Lai Kwok Hei (“Mr. Lai”), aged 35, was appointed as an executive Director on 21 May 2019. He is primarily responsible for overall strategic planning and management of the Group. Mr. Lai holds a bachelor degree of business administration in Accountancy from The Open University of Hong Kong. He has more than 10 years of experience in financial, accounting and financial management. Prior to joining the Company, Mr. Lai has been the general manager of a subsidiary of a listed company in Hong Kong. Mr Lai was appointed as the Chairman, member of nomination committee on 24 August 2019.

Ms. Wen Jianping (“Ms. Wen”), aged 30, was appointed as an executive Director on 16 January 2018. She is also a director of a subsidiary of the Company. Ms. Wen has experiences in catering services, catering management, and hotel management. She is currently a general manager of Zhanjiang Tai Run Hotel Limited* (湛江泰潤大酒店有限公司) and Guangxi Bamboo Fuxing Biological Technology Limited* (廣西竹福星生物科技有限公司). From November 2015 to January 2017, Ms. Wen served as a general manager in Guangxi Tai Run Hotel Limited* (廣西泰潤酒店有限公司).

Ms. Tsui Ka Mei (“Ms. Tsui”), aged 26, was appointed as an executive Director on 5 November 2018. She is also a director of certain subsidiaries of the Group. Ms. Tsui has experiences in investment analysis, operations management and online marketing. Ms. Tsui completed her secondary education in Hong Kong.

Independent Non-Executive Directors

Mr. Wong Siu Keung, Joe (“Mr. Wong”), aged 55, was appointed as an independent non-executive Director on 17 June 2016. He is the chairperson of the Audit Committee as well as a member of each of the Remuneration Committee, the Nomination Committee.

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

He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants since 1994. Mr. Wong has over 30 years of experience in accounting, financing, audit field and public listed companies.

Mr. Wong is currently an independent non-executive director of Hang Tai Yue Group Holdings Limited whose shares are listed on GEM of the Stock Exchange (stock code: 8081). Mr. Wong is also as an independent non-executive director of China Water Industry Group Limited (stock code: 1129), a company whose shares are listed on the main board of the Stock Exchange.

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

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

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

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Ms. Wong Hoi Yan Audrey (“Ms. Wong”), aged 49, was appointed as Independent Non-Executive Director on 21 May 2019. She was also appointed as the member of each of the Audit Committee, and the Remuneration Committee of the Company with effect from 21 May 2019.

Ms. Wong has over 20 years of experience in accounting, financial control, corporate finance and asset management. She had previously served in a number of Hong Kong listed companies and private companies in the fields of banking, trading and manufacturing and financial institutions. Ms. Wong holds a Master Degree in Corporate Finance from Hong Kong Polytechnic University. In addition, she is a member of the American Institute of Certified Public Accountants, and an associate member of the Hong Kong Institute of Certified Public Accountants. Ms. Wong has the Type 1 (Dealing in Securities) and Type 9 (Asset Management) License from the Securities and Futures Commission in Hong Kong. Currently, she is the vice president (consultant) of Power Securities Company Limited and Power Asset Management Company Limited.

Mr. Ma Kin Hung (“Mr. Ma”), aged 74, was appointed as an Independent Non-Executive Director, Chairman of Nomination Committee and the members of the Remuneration Committee and Audit Committee on 31 July 2019.

Mr. Ma has over 25 years of experience in corporate management, production management, marketing management in mainland China and investment in property in China. He has served as the Liaison Officer of the China Production Department of Hong Kong New Mark Limited, the Regional Sales Manager (China) of the German Professional Light Bulb Company, the Deputy general manager of Yutai Education Equipment Co., and the business representative in China of Indonesian GM Company.

Senior Management

Ms. Lee Li Ngut (“Ms. Lee”), aged 45, was re-designated as the senior vice president of finance for the Group on 1 March 2016. She is responsible for managing the Group’s finance and accounts.

Ms. Lee has over 17 years of experience in accounting. From 1999 to 2000, Ms. Lee worked at Damai Laut Golf Resort as an accounts and administration officer. She joined the Group on 19 September 2000 as an account executive and became a group finance manager on 1 October 2013.

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

Mr. Chan Kah Chong (“Mr. Chan”), aged 51, was re-designated as the vice president of operations of the Group and director of Freight Transport Network Sdn. Bhd. (“FTN”) on 1 March 2016. He is responsible for the Group’s operations management.

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



DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

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

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

Ms. Yeong Jiun Ruo (“Ms. Yeong”), aged 36, was re-designated as the vice president of human resource for the Group on 1 March 2016. She is responsible for human resource management.

She has over 12 years of experience in administration. From June 2006 to May 2007, she was a senior R&QA supervisor for Unisem (m) Berhad. From August 2007 to April 2008, she worked for Carrier International Sdn Bhd as an office administrator. From May 2008 to March 2014, she worked as a senior officer for research and development for Sony EMCS (Malaysia) Sendirian Berhad. She joined the Group on 2 May 2014 as an assistant human resource manager and was promoted to human resource manager in September 2015.

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

Mr. Shum Shing Kei (“Mr. Shum”), aged 48, has over 10 years of experience in finance, accounting and company secretarial matters. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Shum has been the Company Secretary from 21 May 2019.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

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

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company's corporate governance practices are based on the principles of good corporate governance as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the "CG Code"). Throughout the Financial Year, save for the deviation from A.2.1 of the CG Code as explained below, the Company has complied with all applicable code provisions as set out in the CG Code.

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

Securities Transactions by Directors

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

Board of Directors

Responsibilities

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

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

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

- formulating the Group's strategy and direction and monitoring the implementation thereof;
- deciding all material contracts, acquisitions, investments, divestments, disposals of assets or any significant capital expenditure;
- approving of the Group's financial statements, published reports, price sensitive announcement and other disclosure required under the GEM Listing Rules;



CORPORATE GOVERNANCE REPORT (CONTINUED)

- developing, monitoring and reviewing the Group's corporate governance practices and the effectiveness of the Group's financial controls, internal control and risk management systems;
- Board appointment and other major appointments or removal; and
- monitoring the performance of the management.

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

Composition

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

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

Executive Directors

Mr. Lai Kwok Hei, *Chairman*
Ms. Wen Jianping
Ms. Tsui Ka Mei

Independent Non-executive Directors

Mr. Wong Siu Keung Joe
Ms. Wong Hoi Yan Audrey
Mr. Ma Kin Hung

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Continuing Professional Development

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

All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, all Directors, namely Mr. Lai Kwok Hei, Ms. Wen Jianping, Ms. Tsui Ka Mei, Ms. Wong Hoi Yan Audrey, Mr. Ma Kin Hung and Mr. Wong Siu Keung Joe had participated in continuous professional development by attending seminars/training and program/reading materials.

Meetings of Board and Directors' Attendance Records

During the Financial Year, the Board held 10 meetings, at which the Directors discussed and approved, amongst other matters, (i) the Group's consolidated results for the year ended 31 December 2018, the three months ended 31 March 2019, the six months ended 30 June 2019 and the nine months ended 30 September 2019; (ii) the risk management and internal control systems of the Group (the "**Risk Management and Internal Control Systems**"); (iii) the environmental, Social and Governance Report (the "**ESG Report**"); (iv) appointment of directors; (v) adoptions of dividend policy and nomination policy; and (vi) the overall strategic direction and plan of business.

The Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice is given in a reasonable time in advance. The Directors are allowed to include any other matters in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at the Board meetings and to make informed decisions, an agenda and the accompanying Board papers together with all appropriate and relevant information in relation to the matters of the meetings are sent to all Directors at least three days before the intended date of each regular Board Meeting and three days or such other period as agreed before each other Board meeting.

All Directors should have access to the advice and services of the company secretary of the Company (the "**Company Secretary**") with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Company Secretary is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record within a reasonable time after each meeting and the final version is open for the Directors' inspection. According to the GEM Listing Rules, any Directors and their associates (as defined in the GEM Listing Rules) with a material interest in the transactions to be discussed at the Board meetings will abstain from voting on resolutions approving such transactions and are not counted in the quorum of the meetings.



CORPORATE GOVERNANCE REPORT (CONTINUED)

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

Name of Directors	Board meeting attended/ Eligible to attend
Executive Directors	
Mr. Lai Kwok Hei (<i>Chairman</i>)	6/7
Ms. Wen Jianping	0/10
Ms. Tsui Ka Mei	6/10
Mr. Lee Chooi Seng	6/8
Mr. Chin Seng Leong	4/5
Independent Non-executive Directors	
Mr. Ma Kin Hung	1/4
Ms. Wong Hoi Yan Audrey	7/7
Mr. Wong Siu Keung Joe	10/10
Mr. Lee Kwok Tung Louis	4/5
Mr. Liew Weng Keat	4/6

During the Financial Year, an annual general meeting of the Company was held on 15 May 2019 (the "2018 AGM").

The attendance of each Director at the 2018 AGM is as follows:

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board Diversity Policy

The Board has adopted a policy of the Board diversity (the “**Board Diversity Policy**”) and discussed all measurable objectives set for implementing the Board Diversity Policy.

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

Chairman and Chief Executive

According to the Code Provision A.2.1 of the CG Code, the roles of the Chairman and the Chief Executive Officer (the “**CEO**”) should be separate and performed by different individuals to ensure a balance of power and authority so that power is not concentrated in any one individual. Mr. Lai Kwok Hei, the executive Director, is the Chairman who leads the Board and is responsible for proceedings the work for the Board.

After the resignation of the former CEO of the Company, Mr. Lai Kwok Hei takes up the position of both the Chairman and CEO of the Company. In the opinion of the Directors, this does not affect the accountability and making independent decision based on the following reasons:

- The Audit Committee is composed only of Independent Non-Executive Directors;
- Independent directors may seek immediate advice from the Company’s external auditors and independent professional advice at any time and as if necessary.

The Board understands that the roles of the Chairman and the CEO shall be independent to ensure that the powers and authorities are distributed in a balanced manner and that the authorities are not focused solely on single person. Hence, the Group will recruit a suitable person who has an extensive understanding of the Group’s business as soon as possible to manage the day-to-day business.

Board Committees

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

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



CORPORATE GOVERNANCE REPORT (CONTINUED)

Audit Committee

The Company established the Audit Committee on 17 June 2016 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code. The Audit Committee comprises all INED, namely Mr. Wong Siu Keung, Joe (“**Mr. Wong**”), Ms. Wong Hoi Yan Audrey (“**Ms Wong**”) and Mr. Ma Kin Hung (“**Mr Ma**”). Mr. Wong is the chairman of the Audit Committee.

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

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

Relationship with the Company’s auditor

- making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- reviewing and monitoring the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, discussing with the auditor the nature and scope of the audit and reporting obligations before the audit commences; and
- developing and implementing policy on engaging an external auditor to supply non-audit services (For this purpose, “external auditor” includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally) and reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed.

Review of the Company’s financial information

- reviewing and monitoring the integrity of the Company’s financial statements and annual reports and accounts, half-year reports and quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgemental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the GEM Listing Rules and legal requirements in relation to financial reporting.

CORPORATE GOVERNANCE REPORT (CONTINUED)

- regarding the above paragraph:
 - (i) liaising with the Board and senior management and meeting, at least twice a year, with the Company's auditor; and
 - (ii) considering any significant or unusual items that are, or may need to be, reflected in the report and accounts, giving due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditor.

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

- reviewing the Company's financial controls, internal control and risk management systems;
- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have an effective systems including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- considering major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;
- reviewing the Group's financial and accounting policies and practices;
- reviewing the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- reporting to the Board on the matters in the terms of reference of Audit Committee;
- reviewing arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- acting as the key representative body for overseeing the Company's relations with the external auditor; and
- considering other topics, as defined by the Board.

During the Financial Year, the Audit Committee held 5 meetings, at which the Audit Committee reviewed and discussed (i) the Group's consolidated results for the year ended 31 December 2018, the three months ended 31 March 2019, the six months ended 30 June 2019 and the nine months ended 30 September 2019; (ii) Risk Management and Internal Control system; and (iii) change of auditor.



CORPORATE GOVERNANCE REPORT (CONTINUED)

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

Name of Directors	Number of attendance/ number of meetings
Ms. Wong Hoi Yan Audrey	3/3
Mr. Ma Kin Hung	1/3
Mr. Wong Siu Keung Joe	5/5
Mr. Lee Kwok Tung	2/2
Mr. Liew Weng Keat	2/2

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

Remuneration Committee

The Company established the Remuneration Committee on 17 June 2016 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the CG Code. The Remuneration Committee comprises all INED, namely, Mr. Ma Kin Hung, Ms. Wong Hoi Yan Audrey and Mr. Wong Siu Keung Joe. Ms. Wong Hoi Yan Audrey is the chairman of the Remuneration Committee.

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

- making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- making recommendations to the Board on the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment);
- making recommendations to the Board on the remuneration of Non-Executive Directors;
- considering salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the group;
- reviewing and approving compensation payable to Executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- ensuring that no Director or any of his associates is involved in deciding his own remuneration; and
- consulting the Chairman and/or Chief Executive (where applicable) about their remuneration proposals for other Executive Directors.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

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

Name of Directors	Number of attendance/ number of meetings
Ms. Wong Hoi Yan Audrey	1/1
Mr. Wong Siu Keung Joe	3/3
Mr. Lee Kwok Tung, Louis	2/2
Mr. Liew Weng Keat	2/3

Nomination Committee

The Company established the Nomination Committee on 17 June 2016. The Nomination Committee comprises one executive Director and two INED, namely Mr. Lai Kwok Hei, Mr. Wong Siu Keung Joe and Mr. Ma Kin Hung. Mr. Ma Kin Hung is the chairman of the Nomination Committee.

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

- reviewing the structure, size and composition (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- assessing the independence of INED;
- making recommendations to the Board on the appointment or re-appointment of Directors;
- reviewing the Board Diversity Policy and Nomination Policy as appropriate; monitoring the implementation of the Board Diversity Policy and reviewing the measurable objectives set by the Board for implementing the Policy, and the progress of achieving the objectives; and making disclosure of its review results and reporting on the Board's composition under diversified perspectives in the Corporate Governance Report annually; and
- reviewing succession planning for Directors, in particular, the chairman of the Board and the chief executive of the Company as well as for the senior management of the Company, after taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, together with the Board, as appropriate.

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



CORPORATE GOVERNANCE REPORT (CONTINUED)

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

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

Under the Revised CG Code, where the Board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out relevant content in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting.

During the Financial Year, the Nomination Committee held 3 meetings, at which the Nomination Committee reviewed and discussed (i) the appointment of new directors and recommended to the Board their appointments; (ii) the structure, size and composition of the Board; (iii) the independence of the INEDs, (iv) the re-appointment of all the retiring Directors at the AGM and recommended to the Board their re-appointments.

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

Name of Directors	Number of attendance/ number of meetings
Mr. Lai Kwok Hei	1/1
Mr. Wong Siu Keung Joe	3/3
Mr. Lee Chooi Seng	2/2
Mr. Liew Weng Keat	2/2

Corporate Governance Functions

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

- developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

CORPORATE GOVERNANCE REPORT (CONTINUED)

- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

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

Auditors' Remuneration

For the Financial Year, Elite Partners CPA Limited (the "Elite") was engaged as the Group's independent auditors. Apart from the provision of annual audit services, Elite also provided the non-audit services in relation to the taxation service.

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

Category of services	Amounts HK\$
Audit services — Annual audit	380,000

Accountability And Audit

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

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

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

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



CORPORATE GOVERNANCE REPORT (CONTINUED)

Risk Management and Internal Control

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

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

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

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

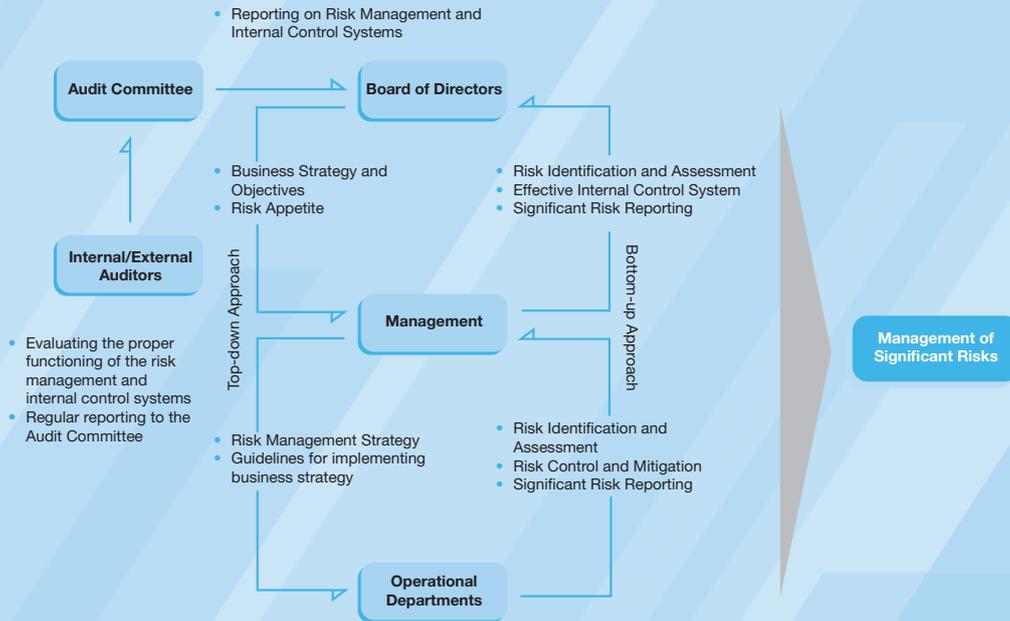
- segregating duties and functions of the respective operational departments of the Group;
- reviewing systems and procedures to identify, measure, manage and control risks; and
- updating the staff handbook, internal control manual and compliance manual where there are changes to business environment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

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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



The Board has, through the Audit Committee and with the assistance of the management, internal auditors and external auditors, conducted a review of the effectiveness of the Group’s risk management and internal control system including financial, operational and compliance controls for the Financial Year. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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



CORPORATE GOVERNANCE REPORT (CONTINUED)

Handling and Dissemination of Inside Information

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

Company Secretary

Mr. Shum Shing Kei (“**Mr. Shum**”) was appointed as the Company Secretary on 21 May 2019. Mr. Shum holds a Bachelor Degree (Hon) in Accountancy from Hong Kong Polytechnics and a Master Degree in Financial Management from University of London, United Kingdom. Mr. Shum is a fellow member of The Hong Kong Institute of Certified Public Accountants and has extensive working experience in financial management and company secretarial fields.

Shareholders’ Rights

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

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

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

Procedures for Shareholders to send enquires to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong, presently at Unit 5D, 5/F, Hang Cheong Factory Building, No.1 Wing Ming Street, Kowloon, Hong Kong.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Communication with the Shareholders

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

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

Dividend Policy

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

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

Constitutional Documents

During the Financial Year, there were no changes in the constitutional documents of the Company. The amended and restated memorandum and articles of association of the Company is available on the respective websites of the GEM and the Company.



REPORT OF THE DIRECTORS

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

Principal Activities

The Group is principally engaged in the provision of comprehensive international freight services, transportation services as well as warehousing services to customers worldwide and trading of used mobile phones in Hong Kong. The principal activities of the Company's principal subsidiaries are set forth in note 34 to the consolidated financial statements.

Business Review and Analysis of Key Financial Performance Indicators

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

Financial Results

The results of the Group for the Financial Year and the financial position of the Company and the Group as at 31 December 2019 are set forth in the consolidated financial statements on pages 46 to 111 of this annual report.

Final Dividend

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

Financial Summary

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements of the Group or the Prospectus, is set out on page 112 of this annual report. This summary does not form part of the consolidated financial statements for the Financial Year.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the Financial Year are set out in note 16 to the consolidated financial statements.

Properties

The Group did not hold any major property for development and/or sale or for investment purpose as at 31 December 2019.

REPORT OF THE DIRECTORS (CONTINUED)

Share Capital

Details of the Company's share capital are set out in notes 25 to the consolidated financial statements.

Pre-Emptive Rights

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

Reserves

Details of movements in the reserves of the Company and of the Group during the Financial Year are set out in note 26 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

As at 31 December 2019, the Company's reserves available for distribution to the Shareholders comprising (share premium, other reserve and accumulated losses amounted to approximately RM35.3 million. Details of the Company's distributable reserves as at 31 December 2019 are set out in note 26 to the consolidated financial statements.

Share Option Scheme

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

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

The Share Option Scheme is valid and effective for a period of ten years commencing on the date of adoption of the Share Option Scheme. As at 31 December 2019, there were a total of 80,000,000 Shares, representing 10% of the issued Shares, available for issue under the Share Option Scheme. Since the Share Option Scheme came into effect, no share options were granted, exercised or cancelled by the Company.



REPORT OF THE DIRECTORS (CONTINUED)

Equity-Linked Agreements

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

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

During the Financial Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

Major Customers and Suppliers

During the Financial Year, the five largest suppliers of the Group accounted for about 13.3% of the Group's cost of sales and the largest supplier accounted for about 3.6% of the cost of sales.

During the Financial Year, the five largest customers of the Group accounted for about 19.0% of the Group's total revenue and the largest customer accounted for about 4.5% of the total revenue.

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

Related Parties Transactions

Related parties transactions of the Group during the Financial Year are disclosed in note 28 to the consolidated financial statements. The Directors are not aware of any related parties transactions which constituted a connected transaction or continuing connected transaction under the GEM Listing Rules.

Environmental Policies and Performance

The Group understands the importance of environmental sustainability and protection. We are committed to reducing the impact of our environmental footprint while continuing to deliver optimal logistics services for our customers. In view of our operation, the consumption of fuels and energy while provision of air/sea freight forwarding, trucking and warehousing services is a significant contributor to emission and greenhouse gas and other environmental concerns. Our focus is on improving fuel efficiency for the fleets of trucks, and the energy usage. The Group has adopted policies on pollution prevention, preservation of natural resources and adherence to environmental laws and regulations. The Group also puts green ideas into practice in our daily operations and office renovations. The Environmental, Social and Governance Report for the year ended 31 December 2019 containing all information required by the GEM Listing Rules will be published on the respective websites of GEM and the Company in due course.

REPORT OF THE DIRECTORS (CONTINUED)

Permitted Indemnity Provisions

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

Compliance with Laws and Regulations

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

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

Key Relationship with Employees, Customers and Suppliers

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

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

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



REPORT OF THE DIRECTORS (CONTINUED)

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

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

Directors

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

Executive Directors

Mr. Lai Kwok Hei, Chairman (appointed on 21 May 2019)

Mr. Lee Chooi Seng (resigned on 24 August 2019)

Mr. Chin Seng Leong (resigned on 28 June 2019)

Ms. Wen Jianping

Ms. Tsui Ka Mei

Independent Non-executive Directors

Mr. Wong Siu Keung Joe

Mr. Lee Kwok Tung Louis (resigned on 28 June 2019)

Mr. Liew Weng Keat (resigned on 31 July 2019)

Ms. Wong Hoi Yan Audrey (appointed on 21 May 2019)

Mr. Ma Kin Hung (appointed on 31 July 2019)

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

Mr. Lai Kwok Hei, Ms Wong Hoi Yan Audrey, Mr Ma Kin Hung, Mr. Wong Siu Keung Joe and Ms Wen Jian Ping will retire from office and, being eligible, offer themselves for re-election at the forthcoming AGM.

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

REPORT OF THE DIRECTORS (CONTINUED)

Biographies of Directors

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

Directors’ Service Contracts

Ms. Tsui Ka Mei and Mr Lai Kwok Hei have entered into a service agreement with the company for an initial fixed term of one year commencing from the date of agreement. These agreements shall continue thereafter unless and until terminated by either party giving to the other not less than three months’ notice in writing. Ms. Wan Jianping did not enter into any service agreement with the Company.

Mr. Wong Siu Keung Joe has a fixed term of appointment for a period of one year commencing on 17 June 2019; Ms Wong Hoi Yan Audrey has a fixed term of appointment for a period of one year commencing on 21 May 2019; Mr. Ma Kin Hung has a fixed term of appointment for a period of one year commencing on 31 July 2019; and these agreements shall continue for a term of one year and until terminated by either party giving to the other not less than three months’ notice in writing, subject to retirement by rotation and re-election at AGM in accordance with the Articles.

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

Directors’ Remunerations

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

Directors’ Emolument Policy

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



REPORT OF THE DIRECTORS (CONTINUED)

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

As at 31 December 2019, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules ("Model Code") relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity/Nature of interest	Number of Shares held ⁽¹⁾	Percentage of shareholding
Ms. Wen Jianping	Beneficial owner	10,000,000 (L)	1.25%

Note:

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

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executives of the Company had, or was deemed to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Model Code.

REPORT OF THE DIRECTORS (CONTINUED)

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

As at 31 December 2019, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity/Nature of interest	Number of Shares held ⁽¹⁾	Percentage of shareholding
JL Investments Capital Limited (" JL Investments ")	Person having a security interest in shares ⁽²⁾	232,000,000 (L)	29.00%
Mr. Lau Chi Yuen, Joseph (" Mr. Lau ")	Interest in controlled corporation ⁽²⁾	232,000,000 (L)	29.00%
Mr. Choi Ming Hei (" Mr. Choi ")	Interest in controlled corporation ⁽³⁾	137,000,000 (L)	17.13%
World Oasis Limited (" World Oasis ")	Beneficial owner ⁽³⁾	137,000,000 (L)	17.13%
Walgan Investment Limited (" Walgan Investment ")	Interest in controlled corporation ⁽⁴⁾	46,320,000 (L)	5.79%
Mr. Gan Ker Wei (" Mr. Gan ")	Interest in controlled corporation ⁽⁴⁾	46,320,000 (L)	5.79%
Mrs. Ong Amy Lai Fong	Family interest ⁽⁵⁾	46,320,000 (L)	5.79%
Upright Plan Limited (" Upright Plan ")	Beneficial owner	47,570,000 (L)	5.95%

Notes:

- (1) The letter "L" denotes the person's long position in the relevant Shares.
- (2) Mr. Lau has 100% of direct interest in JL Investments. Therefore, Mr. Lau is deemed to be interested in 232,000,000 Shares held by JL Investments.
- (3) Mr. Choi has 100% of direct interest in World Oasis. Therefore, Mr. Choi is deemed to be interested in 137,000,000 Shares held by World Oasis.
- (4) The entire issued share capital of Upright Plan is legally and beneficially owned by Walgan Investment which in turn is held by Mr. Gan. Furthermore, Walgan Investment owns 40% in Champion Ascent Limited which owns 37,900,000 Shares in the Company.
- (5) Mrs. Ong Amy Lai Fong is the spouse of Mr. Gan and is therefore deemed to be interested in all of the Shares held/owned by Mr. Gan (through Upright Plan and Champion Ascent) by virtue of the SFO.

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Rights to Acquire Shares or Debentures

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



REPORT OF THE DIRECTORS (CONTINUED)

Competing Interests

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

Sufficiency of Public Float

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

Directors' Interest in Significant Contracts

Save as disclosed in the section headed "Related Party Transactions" in note 28 to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Group's business in which the Company or any its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the Financial Year.

Events After the Reporting Period

On 24 February 2020, the Group entered into a sale and purchase agreement with a vendor for the acquisition of one-third of the issued share capital of Grand Moore Capital Limited, which is principally engaged in provision IPO sponsorship services, advisory services with respect to corporate finance transactions, equity financing and private equity investment at a consideration of HK\$11,600,000. Details of the acquisition was set out in the Company's announcements dated 24 February 2020.

Save as disclosed above, the Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 December 2019 and up to the date of this report.

Independent Auditor

Elite Partners CPA Limited (the "Elite") was appointed as auditor of the Company on 5 December 2019 upon the resignation of Messrs. BDO Limited.

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

On behalf of the Board

WORLDGATE GLOBAL LOGISTICS LTD

Lai Kwok Hei

Chairman

Hong Kong, 26 March 2020

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF WORLDGATE GLOBAL LOGISTICS LTD

(incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Worldgate Global Logistics Ltd (“the Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 46 to 111, which comprise the consolidated statement of financial position as at 31 December 2019, 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 as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (the “HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 22 March 2019.

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 AUDITOR'S REPORT (CONTINUED)

Impairment assessment on property, plant and equipment and right-of-use assets

Refer to Notes 4(iii), 16 and 17 to the consolidated financial statements and the accounting policies set out on Note 3(h).

The carrying amount of property, plant and equipment and right-of-use assets are significant to the Group amounting to approximately RM18,180,000 and RM7,758,000 respectively as at 31 December 2019. Based on management's assessment, there is no impairment charge for property, plant and equipment and right-of-use assets for the year ended 31 December 2019.

We focused on this area due to the magnitude of the carrying amount of the asset and the fact that significant judgements were required by management (i) to identify whether any impairment indicators existed for the asset during the year; (ii) to determine the appropriate recoverable amounts, being higher of the fair value less costs of disposal and value in use; and (iii) to select key assumptions to be adopted in the valuation models for the impairment assessments, including forecast revenue growth rate, gross profit margin, terminal growth rate, and discount rate used in the projection period.

How the matter was addressed in our audit

Our procedures in relation to management's impairment assessment on property, plant and equipment and right-of-use assets included:

- discussing and evaluating management's identification of indicators of potential impairment and the methodology applied in the preparation of the discounted cash flow forecast with reference the requirements of the prevailing accounting standards, taking into account business changes during the year;
- assessing the competence, capability and objectivity of the external independent professional valuer engaged by the Group to estimate the recoverable amount and evaluating the methodology adopted by the external independent professional valuer;
- discussing with the external independent professional valuer on the scope, and assessing the valuation methodologies and certain key assumptions used in determining the recoverable amounts based on our industry knowledge and market practices;
- challenging the key assumptions used in the discounted cash flow forecast which included forecasting sales volumes, selling prices, production costs, capital expenditure, historical information, etc;
- assessing the reasonableness of the key assumptions used by the external independent professional valuer such as revenue growth rate, discount rate and terminal growth rate by comparing these assumptions against relevant market data and industry research;
- comparing the actual results for the current year with management's forecasts prepared in the previous year to assess the historical accuracy of the management's forecasting process; and
- re-performing management's calculation of the key assumptions adopted in the cash flow forecasts.

Based upon the above, we found that the estimation and judgements made by management in respect of the impairment assessment of property, plant and equipment and right-of-use assets were supportable by the available evidence.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Impairment assessment on trade receivables

Refer to Notes 4(iv) and 18 to the consolidated financial statements and the accounting policies set out on Note 3(f).

As at 31 December 2019, the carrying amount of the Group's trade receivables amounting to approximately RM14,235,000 (after allowance for credit losses of RM183,000). In assessing the recoverability of trade receivables, management exercised significant judgements to evaluate the collectability from individual customers after taking into account their creditworthiness, whether they have financial difficulties, experience of default, aging analysis and forecast of future events and economic conditions which may impact the recoverability of trade receivables. The judgements applied by management have a significant impact on the level of provision required for trade receivables.

How the matter was addressed in our audit

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

- understood, evaluated and validated on a sample basis the design and operating effectiveness of management control over the collection and the assessment of the recoverability of receivables;
- tested on a sample basis the aging of trade receivables at year end;
- checked on a sample basis the settlement subsequent to the financial year end to the trade receivables;
- assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

We consider the management conclusion to be consistent with the available information.

Other Information

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

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

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



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Directors' responsibility for the consolidated financial statements

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Elite Partners CPA Limited

Certified Public Accountants

10/F, Observatory Road,
Tsim Sha Tsui,
Kowloon, Hong Kong

Hong Kong, 26 March 2020

Lock Kwong Hang, Simon

Practising Certificate number: P06735



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RM'000	2018 RM'000
Revenue	6	64,350	74,278
Cost of sales		(52,757)	(62,060)
Gross profit		11,593	12,218
Other income and net gains	7	663	820
Administrative expenses		(15,564)	(15,407)
Loss on disposal of subsidiaries	35	(44)	—
Finance costs	8	(979)	(966)
Loss before taxation	10	(4,331)	(3,335)
Income tax expense	14	(199)	(563)
Loss for the year attributable to owners of the Company		(4,530)	(3,898)
Other comprehensive (loss)/income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
— Exchange differences on translating foreign operations		(124)	342
— Reclassification adjustment relating to foreign operation disposed of		(2)	—
		(126)	342
Total comprehensive loss for the year attributable to owners of the Company		(4,656)	(3,556)
		RM	RM
Loss per share			
Basic and diluted loss per share	15	(0.5663 sen)	(0.4873 sen)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RM'000	2018 RM'000
Non-current assets			
Property, plant and equipment	16	18,180	24,519
Right-of-use assets	17	7,758	—
Total non-current assets		25,938	24,519
Current assets			
Trade and other receivables	18	15,673	19,597
Tax recoverable	24(a)	170	847
Cash and bank balances	19	21,265	24,184
Total current assets		37,108	44,628
Current liabilities			
Trade and other payables	20	4,238	6,869
Contract liabilities	21	485	155
Bank borrowings and overdrafts	22	1,482	1,534
Lease liabilities	23	1,478	939
Tax payables	24(a)	—	50
Total current liabilities		7,683	9,547
Net current assets		29,425	35,081
Total assets less current liabilities		55,363	59,600
Non-current liabilities			
Deferred tax liabilities	24(b)	733	706
Bank borrowings and overdrafts	22	11,183	12,114
Lease liabilities	23	2,505	1,182
Total non-current liabilities		14,421	14,002
Net assets		40,942	45,598



CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2019

	<i>Notes</i>	2019 RM'000	2018 RM'000
Capital and reserves			
Share capital	25	4,154	4,154
Reserves	26	36,788	41,444
Total equity		40,942	45,598

The consolidated financial statements on pages 46 to 111 were approved and authorised for issue by the board of directors on 26 March 2020 and are signed on its behalf of.

Lai Kwok Hei
Director

Tsui Ka Mei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Reserves					Total RM'000
	Share capital <i>(Note 25)</i> RM'000	Share premium <i>(Note 26(b)(i))</i> RM'000	Merger reserve <i>(Note 26(b)(ii))</i> RM'000	Exchange reserve <i>(Note 26(b)(iii))</i> RM'000	Accumulated losses RM'000	
Balance as at 1 January 2018	4,154	29,425	16,972	(564)	(833)	49,154
Loss for the year	—	—	—	—	(3,898)	(3,898)
Other comprehensive income	—	—	—	342	—	342
Total comprehensive loss	—	—	—	342	(3,898)	(3,556)
Balance as at 31 December 2018 and 1 January 2019	4,154	29,425	16,972	(222)	(4,731)	45,598
Loss for the year	—	—	—	—	(4,530)	(4,530)
Other comprehensive loss	—	—	—	(126)	—	(126)
Total comprehensive loss	—	—	—	(126)	(4,530)	(4,656)
Balance as at 31 December 2019	4,154	29,425	16,972	(348)	(9,261)	40,942



CONSOLIDATED STATEMENT OF CASH FLOWS

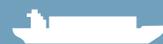
For the year ended 31 December 2019

	<i>Notes</i>	2019 RM'000	2018 RM'000
Cash flows from operating activities			
Loss before taxation		(4,331)	(3,335)
Adjustments for:			
Depreciation of property, plant and equipment	16	2,335	2,542
Gain on disposal of property, plant and equipment, net		(112)	(14)
Loss on disposal of subsidiaries	35	44	—
Depreciation of right-of-use assets	17	1,615	—
Impairment of trade receivables		183	—
Unrealised gain on foreign exchange		(71)	(56)
Write-off of loan and receivables		—	24
Interest income	7	(304)	(291)
Finance costs	8	979	966
Operating profit/(loss) before working capital changes		338	(164)
Decrease in trade and other receivables		3,695	1,029
Decrease in trade and other payables		(2,634)	(2,849)
Increase in contract liabilities		330	155
Cash generated from/(used in) operations		1,729	(1,829)
Interest paid		(58)	(88)
Income taxes refund/(paid)		455	(753)
Net cash generated from/(used in) operating activities		2,126	(2,670)
Cash flows from investing activities			
Net cash inflow from disposal of subsidiaries	35	42	—
Purchases of property, plant and equipment	16	(1,102)	(1,734)
Proceeds from disposal of property, plant and equipment		208	39
Interest received		304	291
Net cash used in investing activities		(548)	(1,404)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2019

	<i>Notes</i>	2019 RM'000	2018 RM'000
Cash flows from financing activities			
Repayment of bank borrowings		(889)	(835)
Interest paid on bank borrowings		(665)	(726)
Interest element of lease rentals paid		(53)	(152)
Capital element of lease rentals paid		(2,709)	(1,978)
Net cash used in financing activities		(4,316)	(3,691)
Net decrease in cash and cash equivalents		(2,738)	(7,765)
Effects of exchange rate changes on cash and cash equivalents		(87)	363
Cash and cash equivalents at beginning of year		23,532	30,934
Cash and cash equivalents at end of year	<i>19(a)</i>	20,707	23,532



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 February 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 July 2016 (the "Listing"). The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business in Hong Kong and Malaysia are located at Unit 5D, Hang Cheong Factory Building, No. 1, Wing Ming Street, Kowloon, Hong Kong and No. 42, Jalan Puteri 2/2, Bandar Puteri Puchong, 47100 Puchong, Selangor Darul Ehsan, Malaysia, respectively.

The Company is an investment holding company and the principal activities of its subsidiaries (together with the Company, collectively referred to as the "Group") are set out in Note 34.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of other new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)**(a) New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)****HKFRS 16 Leases**

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)**(a) New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)****HKFRS 16 Leases (Continued)****As a lessee (Continued)**

On transition, the Group has made the following adjustments upon application of HKFRS 16:

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The lessee's incremental borrowing rate applied is ranged from 3.40% to 8.48%.

	RM'000
Operating lease commitments disclosed as at 31 December 2018	924
Add: Extension options reasonably certain to be exercised	4,026
Less: Recognition exemption — short-term leases or low value assets	(834)
	4,116
Less: Total future interest expenses	(363)
Lease liabilities discounted at relevant incremental borrowing rates	3,753
Add: Obligation under finance lease recognised as at 31 December 2018	2,121
Lease liabilities as at 1 January 2019	5,874
Analysed as	
Current	1,954
Non-current	3,920
	5,874

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(a) New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 16 Leases (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	RM'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	3,753
Amounts included in property, plant and equipment under HKAS 17	
– Leasehold land (Note a)	3,935
– Assets previously under finance leases (Note b)	1,070
	8,758
By class	
Leasehold land	3,935
Leasehold buildings	1,260
Motor vehicles	3,563
	8,758

Notes:

- (a) Upfront payments for leasehold land in Malaysia for own used properties were classified as property, plant and equipment as at 31 December 2018. Upon application of HKFRS 16, the leasehold land amounting to RM3,935,000 was reclassified to right-of-use assets.
- (b) In relation to assets previously classified under finance leases, the Group categorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to RM1,070,000 as right-of-use assets.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(a) New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 16 Leases (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 RM'000	Adjustments RM'000	Carrying amounts under HKFRS 16 at 1 January 2019 RM'000
Non-current assets			
Property, plant and equipment	24,519	(5,005)	19,514
Right-of-use assets	—	8,758	8,758
Current liabilities			
Lease liabilities	939	1,015	1,954
Non-current liabilities			
Lease liabilities	1,182	2,738	3,920

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(b) New and amendments to HKFRSs in issued but not yet effective

The Group has not early applied the following new and amendments to HKFRS that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 3	Definition of a Business ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

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

² The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

³ Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁴ Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors do not anticipate that the application of new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") and by the disclosure requirements of the Hong Kong Companies Ordinance.

(b) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019), and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 Impairment of Assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” (upon application of HKFRS 16) or “leasehold land” (before application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

An 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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(e) Lease*****Under HKAS 17 (prior to 1 January 2019)*****The Group as lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Upon application of HKFRS 16 on 1 January 2019**Definition of a lease**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date.

Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee***Allocation of consideration to components of a contract***

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventory.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Lease (Continued)

Upon application of HKFRS 16 on 1 January 2019 (Continued)

As a lessee (Continued)

Right-of-use assets (Continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(e) Lease (Continued)***Upon application of HKFRS 16 on 1 January 2019 (Continued)***As a lessee (Continued)***Lease liabilities (Continued)*

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

(f) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets**Classification and subsequent measurement of financial assets**

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

Financial assets (Continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the end of the reporting period. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the end of the reporting period as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Company measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(f) Financial instruments (Continued)*****Financial assets (Continued)*****Impairment of financial assets (Continued)****(i) Significant increase in credit risk (Continued)**

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

Irrespective of the above, 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.

(iii) Credit-impaired financial assets

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. Evidence that a financial asset is credit-impaired includes 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;



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets (Continued)

- (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; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- (a) Nature of financial instruments;
- (b) Past-due status;
- (c) Nature, size and industry of debtors; and
- (d) External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(f) Financial instruments (Continued)*****Financial assets (Continued)*****Derecognition of financial assets**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity**Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables and bank borrowings and overdrafts and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Contract assets and contract liabilities

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

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(i) Revenue from contracts with customers**

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

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

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

The Group has adopted the following accounting policies on revenues:

(i) Freight forwarding and related services

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

(ii) Trucking and warehouse and related services

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue from contracts with customers (Continued)

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

(iii) Sales of used mobile phones

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

Principal versus agent

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

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

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

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

(j) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Income tax (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

(k) Foreign currency

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Foreign currency (Continued)

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

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

(l) Employee benefits

(i) Short-term employee benefits

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

(ii) Defined contribution retirement plan

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

(iii) Termination benefits

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

(m) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) Provisions and contingent liabilities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(o) Segment reporting**

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

(p) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Revenue from contracts with customers

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

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

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

(ii) Useful lives of property, plant and equipment

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

4. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**(iv) Provision on ECL for trade and other receivables**

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and other receivables are disclosed in Note 32(a).

(v) Income taxes

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

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

(vi) Classification of bank borrowings

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

The Group classifies its fixed term bank borrowings with these registered banks in Malaysia as current and non-current liabilities in accordance with the terms and conditions as stated in respective bank loan agreements without taking account of the repayment on demand clauses.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

5. SEGMENT REPORTING

(a) Reportable segments

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

The Group has two reportable segments. The segments are managed separately because each segment offers different products and services and requires different strategies. The following summary describes the operations in each of the Group's reportable segments under HKFRS 8 are as follows:

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

- Freight forwarding and related services
- Trading of used mobile phones

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

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

Segment assets exclude part of other receivable and cash and bank balances as these assets are managed on a group basis.

Segment liabilities exclude part of other payable as these liabilities are managed on a group basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

5. SEGMENT REPORTING (Continued)

(a) Reportable segments (Continued)

For the year ended 31 December:

	Freight forwarding and related services		Trading of used mobile phones		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from external customers	60,228	71,797	4,122	2,481	64,350	74,278
Reportable segment (loss)/profit	(1,162)	445	149	96	(1,013)	541
Interest income	304	291	—	—	304	291
Finance costs	(979)	(966)	—	—	(979)	(966)
Depreciation of property, plant and equipment	(2,335)	(2,529)	—	—	(2,335)	(2,529)
Depreciation of right-of-use assets	(1,615)	—	—	—	(1,615)	—
Gain on disposal of property, plant and equipment	112	14	—	—	112	14
Impairment of trade receivables	(183)	—	—	—	(183)	—
Income tax expense	(199)	(547)	—	(16)	(199)	(563)
Reportable segment assets	55,298	53,471	2,253	2,507	57,551	55,978
Additions to non-current assets:						
— Property, plant and equipment	1,102	3,674	—	—	1,102	3,674
— Right-of-use assets	615	—	—	—	615	—
	1,717	3,674	—	—	1,717	3,674
Reportable segment liabilities	21,532	22,733	103	38	21,635	22,771

No inter-segment revenue during the year (2018: Nil)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

5. SEGMENT REPORTING (Continued)**(a) Reportable segments (Continued)**

For the year ended 31 December:

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

	2019 RM'000	2018 RM'000
Profit or loss		
Reportable segment (loss)/profit	(1,013)	541
Depreciation of property, plant and equipment	—	(13)
Loss on disposal of subsidiaries	(44)	—
Unallocated corporate expenses	(3,274)	(3,863)
Consolidated loss before taxation	(4,331)	(3,335)
	2019 RM'000	2018 RM'000
Assets		
Reportable segment assets	57,551	55,978
Unallocated corporate assets	5,495	13,169
Consolidated total assets	63,046	69,147
	2019 RM'000	2018 RM'000
Liabilities		
Reportable segment liabilities	21,635	22,771
Unallocated corporate liabilities	469	778
Consolidated total liabilities	22,104	23,549

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

5. SEGMENT REPORTING (Continued)

(b) Geographic information

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

The following table provides an analysis of the Group's revenue from external customers and non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysia (place of domicile)	56,204	71,797	25,194	24,519
The People's Republic of China ("PRC"), including Hong Kong	8,146	2,481	744	—
Total	64,350	74,278	25,938	24,519

(c) Information about major customers

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

	2019 RM'000	2018 RM'000
Customer A	N/A ^{note 1}	7,577

Notes:

1. The corresponding revenue did not contribute over 10% of the total revenue of the Group for the respective period.
2. There are no other major customers contributed 10% or more of the Group's total revenue during the year ended 31 December 2019.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

6. REVENUE

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

	2019 RM'000	2018 RM'000
Services under freight forwarding and related services segment being transferred over time:		
Air freight forwarding and related services	18,774	32,616
Sea freight forwarding and related services	34,390	34,427
Trucking and warehouse and related services	7,064	4,754
	60,228	71,797
Goods under trading of used mobile phone segment being transferred at a point in time:		
Sales of used mobile phones	4,122	2,481
Total revenue from contracts with customers	64,350	74,278

Transaction allocated to the remaining performance obligation for contracts with customers

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contract for logistic services and sales of used mobile phones such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contract for logistic services and sales of used mobile phones that had an original expected duration of one year or less.

7. OTHER INCOME AND NET GAINS

	2019 RM'000	2018 RM'000
Interest income from bank deposits	304	291
Gain on foreign exchange:		
— realised gain	149	345
— unrealised gain	71	56
Others	139	128
	663	820

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

8. FINANCE COSTS

	2019 RM'000	2018 RM'000
Interest on bank overdrafts	58	88
Interest on bank borrowings	665	726
Interest on lease liabilities	256	152
	979	966

9. STAFF COSTS

	2019 RM'000	2018 RM'000
Staff costs (including directors' emoluments) comprise:		
Wages and salaries	12,016	12,441
Short-term non-monetary benefits	169	249
Contributions to retirement benefit schemes	1,291	1,207
	13,476	13,897

10. LOSS BEFORE TAXATION

	2019 RM'000	2018 RM'000
Loss before taxation is arrived at after charging/(crediting):		
Auditor's remuneration	201	315
Depreciation of property, plant and equipment	2,335	2,542
Depreciation of right-of-use assets	1,615	—
Gain on disposal of property, plant and equipment, net	(112)	(14)
Impairment of trade receivables	183	—
Loss on disposal of subsidiaries	44	—
Minimum lease payments under operating leases recognised as expense in the year	—	1,358
Short-term lease payment	834	—
Write-off of loans and receivables	—	24



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

11. DIVIDENDS

No dividend was paid or proposed during 2019, nor has any dividend been proposed since the end of reporting period (2018: Nil).

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors are as follows:

Year ended 31 December 2019:

	Fees RM'000	Salaries and other benefits RM'000	Discretionary bonus RM'000	Contributions to retirement benefit schemes RM'000	Total RM'000
<i>Executive directors</i>					
Lai Kwok Hei (<i>Chairman</i>) (appointed on 21 May 2019)	117	—	—	5	122
Wen Jianping	63	—	—	—	63
Tsui Ka Mei	95	—	—	5	100
Chin Seng Leong (resigned on 28 June 2019)	317	251	21	30	619
Lee Chooi Seng (resigned on 24 August 2019)	411	379	36	46	872
<i>Independent non-executive directors</i>					
Wong Siu Keung Joe	127	—	—	—	127
Wong Hoi Yan, Audrey (appointed on 21 May 2019)	58	—	—	—	58
Ma Kin Hung (appointed on 31 July 2019)	40	—	—	—	40
Lee Kwok Tung Louis (resigned on 28 June 2019)	63	21	—	—	84
Liew Weng Keat (resigned on 31 July 2019)	74	—	—	—	74
	1,365	651	57	86	2,159

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

12. DIRECTORS' EMOLUMENTS (Continued)

Year ended 31 December 2018:

	Fees RM'000	Salaries and other benefits RM'000	Discretionary bonus RM'000	Contributions to retirement benefit schemes RM'000	Total RM'000
<i>Executive directors</i>					
Lee Chooi Seng (<i>Chairman</i>)	654	497	123	70	1,344
Chin Seng Leong	654	432	107	61	1,254
Wen Jianping (appointed on 16 January 2018)	60	—	—	—	60
Tsui Ka Mei (appointed on 5 November 2018)	15	—	—	—	15
<i>Non-executive directors</i>					
Dato' Tan Yee Boon (resigned on 11 May 2018)	46	—	—	—	46
<i>Independent non-executive directors</i>					
Lee Kwok Tung Louis	126	—	—	—	126
Liew Weng Keat	126	—	—	—	126
Wong Siu Keung Joe	126	—	—	—	126
	1,807	929	230	131	3,097

No directors waived any emoluments during the year ended 31 December 2019 (2018: Nil).

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year.

13. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included two (2018: two) directors of the Company whose emoluments are included in the disclosures in Note 12 above. The emoluments of the remaining three (2018: three) individuals are as follows:

	2019 RM'000	2018 RM'000
Salaries and other benefits	873	916
Contributions to retirement benefit schemes	91	69
	964	985

The emoluments of each of the above non-director highest paid individuals were all within the band of nil to RM529,000 (nil to HK\$1,000,000) in 2019 (2018: nil to RM525,000 (nil to HK\$1,000,000)).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

13. FIVE HIGHEST PAID INDIVIDUALS (Continued)

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

14. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2019 RM'000	2018 RM'000
Current tax		
Malaysia income tax		
— charge for the year	161	397
— under-provision in respect of prior years	11	91
Hong Kong profits tax		
— charge for the year	—	16
	172	504
Deferred tax (<i>Note 24</i>)		
— charge for the year	27	59
Income tax expense	199	563

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is not subject to income tax in the Cayman Islands.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

14. INCOME TAX EXPENSE (Continued)

Malaysia income tax is calculated at the statutory rate of 24% (2018: 24%) of the estimated taxable profit for the year. Certain subsidiaries incorporated in Malaysia enjoy tax rate of 17% (2018: 18%) on the first RM500,000 and remaining balance of the estimated taxable profit at tax rate of 24% (2018: 24%).

The Ministry of International Trade and Industry of Malaysia ("MITIM") had certified a subsidiary of the Group is carrying out promoted activities in Malaysia and granted a pioneer certificate for a period of five years from 1 July 2014 to 30 June 2019. This subsidiary is therefore entitled to a tax exemption of 70% on its statutory income for each of the tax assessment years from 1 July 2014 to 30 June 2019. During the year, the Group entitled to a tax exemption amount of RM42,000 (2018: RM138,000).

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

	2019 RM'000	2018 RM'000
Loss before taxation	(4,331)	(3,335)
Tax calculated at the domestic tax rate	(789)	(517)
Effect of tax exemption granted to Malaysia subsidiary	(42)	(138)
Tax effect of non-deductible expenses	1,059	1,128
Tax effect of non-taxable income	(67)	(1)
Tax effect of deductible temporary differences not recognised	27	—
Under-provision in respect of in prior years	11	91
Income tax expense	199	563



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

15. LOSS PER SHARE

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

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following information:

	2019 RM'000	2018 RM'000
Loss		
Loss for the year attributable to owners of the Company	(4,530)	(3,898)
	2019	2018
Number of shares		
Weighted average number of ordinary shares in issue during the year	800,000,000	800,000,000

There was no movement on the number of shares in issue during the year. The weighted average number of ordinary shares used for the purposes of calculating the basic loss per share for the year ended 31 December 2019 and 2018 are 800,000,000.

Diluted loss per share were the same as the basic loss per share as the Group had no dilutive potential shares during the years ended 31 December 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Leasehold land and buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computers RM'000	Furniture, fixtures and equipment RM'000	Total RM'000
<i>Cost:</i>							
As at 1 January 2018	1,227	14,185	10,358	5,034	1,789	1,514	34,107
Exchange adjustment	—	—	—	1	—	—	1
Additions	—	1,005	963	1,277	307	122	3,674
Disposals	—	—	(289)	(9)	—	—	(298)
As at 31 December 2018 (originally stated)	1,227	15,190	11,032	6,303	2,096	1,636	37,484
Adjustment upon application of HKFRS 16	—	(4,250)	(1,352)	—	—	—	(5,602)
As at 1 January 2019 (restated)	1,227	10,940	9,680	6,303	2,096	1,636	31,882
Exchange alignment	—	—	—	—	(5)	—	(5)
Additions	—	—	—	85	834	183	1,102
Disposals	—	—	(295)	—	—	(7)	(302)
As at 31 December 2019	1,227	10,940	9,385	6,388	2,925	1,812	32,677
<i>Accumulated depreciation:</i>							
As at 1 January 2018	—	971	6,603	1,520	975	626	10,695
Exchange alignment	—	—	—	1	—	—	1
Charge for the year	—	278	1,263	584	280	137	2,542
Written back on disposals	—	—	(273)	—	—	—	(273)
As at 31 December 2018	—	1,249	7,593	2,105	1,255	763	12,965
Adjustment upon application of HKFRS 16	—	(315)	(282)	—	—	—	(597)
As at 1 January 2019 (restated)	—	934	7,311	2,105	1,255	763	12,368
Charge for the year	—	199	1,072	592	324	148	2,335
Written back on disposals	—	—	(201)	—	—	(5)	(206)
As at 31 December 2019	—	1,133	8,182	2,697	1,579	906	14,497
<i>Carrying amounts:</i>							
As at 31 December 2019	1,227	9,807	1,203	3,691	1,346	906	18,180
As at 31 December 2018	1,227	13,941	3,439	4,198	841	873	24,519



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2019, freehold land included in property, plant and equipment with a carrying amount of RM1,227,000 (2018: RM1,227,000) is situated in Malaysia.

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

As at 31 December 2019, the Group's freehold land and the Group's certain of leasehold land and buildings with carrying amount of RM1,227,000 (2018: RM1,227,000) and RM12,014,000 (2018: RM12,284,000) respectively, were pledged to secure the bank borrowings granted to the Group by licensed banks (Note 22).

As at 31 December 2018, the leasehold land is situated in Malaysia and held under long-term leases.

17. RIGHT-OF-USE ASSETS

	31 December 2019 RM'000	1 January 2019 RM'000
Ownership interests in leasehold land held for own use, carried at fair value in Malaysia with remaining lease term more than 50 years	3,853	3,935
Leasehold properties leased for own use, carried at depreciated cost	1,106	1,260
Motor vehicles, carried at depreciated cost	2,799	3,563
	7,758	8,758

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

17. RIGHT-OF-USE ASSETS (Continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 RM'000	2018 (Note) RM'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land	82	82
Leasehold properties leased for own use	533	—
Motor vehicles	1,000	270
	1,615	352
Interest on lease liabilities (Note 8)	256	152
Short-term lease payments	834	—
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	—	1,358

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances as at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets as at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See Note 2(a).

During the year ended 31 December 2019, additions to right-of-use assets were RM615,000, which related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in Note 19(c).

The Group is the registered owner of the building stated in Note 16, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities. The leasehold land is situated in Malaysia and held under long-term leases.

Properties leased for own use

The Group has obtained the right to use properties as its office premises through tenancy agreements. The leases typically run for an initial period of 1 to 4 years.

Other leases

The Group leases motor vehicles under leases expiring from 2 to 5 years. None of the leases includes variable lease payments.

As at 31 December 2019, motor vehicles include items with net carrying amounts of RM800,000 held under finance lease.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

18. TRADE AND OTHER RECEIVABLES

	2019 RM'000	2018 RM'000
Trade receivables arising from contract with customers	14,418	18,333
Less: Allowance of credit losses	(183)	—
	14,235	18,333
Other receivables	362	507
Prepayments and deposits	1,076	757
	15,673	19,597

As at 1 January 2018, trade receivables from contracts with customers amounting to approximately RM19,539,000.

The average credit period granted to trade debtors ranging from 30–90 days from the invoice date.

Included in trade and other receivables are trade debtors (net of impairment losses) with the following aging analysis, based on invoice dates, as of the end of reporting period:

	2019 RM'000	2018 RM'000
Within 1 month	7,542	13,672
1 to 2 months	3,756	2,236
2 to 3 months	867	747
Over 3 months	2,070	1,678
	14,235	18,333

As at 31 December 2019 and 2018, the Group has performed a review of trade and other receivables for evidence of impairment on the provision matrix to measure the lifetime expected credit loss allowance for trade receivables arising from revenue from contracts with customers. Based on the impairment assessment, the Group has assessed that the expected credit loss for these trade and other receivables was made an allowance of approximately RM183,000 (2018: Nil) was for expected credit loss on trade receivables. The Group did not hold any collateral as security or other credit enhancement over the trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

18. TRADE AND OTHER RECEIVABLES (Continued)

The following is the movement in lifetime expected credit losses that has been recognised for trade receivables in accordance with the simplified approach set out in HKFRS 9 for the year ended 31 December 2019 and 2018:

	Total RM'000
As at 1 January 2018, 31 December 2018 and 1 January 2019	—
Allowance for expected credit losses	183
As at 31 December 2019	183

As at 31 December 2019, included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately RM4,805,000 was past due as at the reporting date and the Group provided for impairment loss of approximately RM183,000 (2018: Nil), given there is no history of significant defaults from customer and insignificant impact from forward-looking estimates. The assessed expected credit losses for the trade receivables are not significant. The trade receivables are regularly reviewed by management to ensure relevant information about specific debtors is updated.

Set out below is the information about the credit risk exposure on the Group's trade receivables using provision matrix:

	Current	Past due			2019 Total
		Less than 1 month	1 to 3 months	More than 3 months but less than 12 months (Note)	
Expected credit loss rate (%)	0.52	1.99	6.04	2.75	1.27
Gross carrying amount (RM'000)	9,479	2,816	596	1,527	14,418
Expected credit losses (RM'000)	(49)	(56)	(36)	(42)	(183)
Net carry amount (RM'000)	9,430	2,760	560	1,485	14,235

Detail of impairment assessment of trade receivables are set out in Note 32(a).

Note: Subsequent to 31 December 2019 and up to the date of approval of these financial statement, the trade debtors made a total payment approximately to RM1,174,000 which part of the outstanding trade receivable over due more than 3 months but less than 12 months.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

19. CASH AND BANK BALANCES

Cash and bank balances comprises cash held by the Group and short-term bank deposits with an original maturity of three months or less. As at 31 December 2019, the bank balances and deposits carried interests at the prevailing market interest rate which ranged from 0% to 0.3% (2018: 0% to 0.3%) per annum.

As at 31 December 2019, the Group had bank balances and cash denominated in RM that were either not freely convertible or were subject to exchange controls in the Malaysia, amounting to approximately RM21,265,000 (2018: RM24,184,000).

(a) Cash and cash equivalents comprise

	2019 RM'000	2018 RM'000
Cash available on demand	21,265	24,184
Overdrafts	(558)	(652)
Cash and cash equivalent at end of year	20,707	23,532

(b) Non cash transaction

- (i) During the year ended 31 December 2019, the Group entered into lease agreement for use of office premises and motor vehicles for one to four years. On the lease commencement, the Group recognised RM615,000 of right-of-use asset.
- (ii) During the year ended 31 December 2018, the Group entered into finance lease contract in the acquisition of property, plant and equipment for RM984,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

19. CASH AND BANK BALANCES (Continued)

(c) Reconciliation of liabilities arising from financing activities:

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

	Bank borrowings (Note 22) RM'000	Lease liabilities (Note 23) RM'000
As at 1 January 2018	13,831	3,115
Changes from financing cash flows:		
Repayment of bank loans	(835)	—
Interest paid on bank borrowings	(726)	—
Capital element of lease rentals paid	—	(1,978)
Interest element of lease rentals paid	—	(152)
Total changes from financing cash flows:	12,270	985
Other changes:		
Interest expenses	726	—
New finance leases	—	984
Interest on lease liabilities	—	152
Total other changes	726	1,136
As at 31 December 2018	12,996	2,121
Impact on initial application of HKFRS 16	—	3,753
As at 1 January 2019	12,996	5,874
Changes from financing cash flows:		
Repayment of bank loans	(889)	—
Interest paid on bank borrowings	(665)	—
Capital element of lease rentals paid	—	(2,709)
Interest element of lease rentals paid	—	(53)
Total changes from financing cash flows:	11,442	3,112
Other changes:		
Increase from entering new lease	—	615
Interest expenses	665	—
Interest on lease liabilities	—	256
Total other changes	665	871
As at 31 December 2019	12,107	3,983



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

20. TRADE AND OTHER PAYABLES

	2019 RM'000	2018 RM'000
Trade payables	3,212	5,365
Other payables	404	1,142
Accruals	622	362
	4,238	6,869

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

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

	2019 RM'000	2018 RM'000
Current or less than 1 month	1,761	3,531
1 to 2 months	1,199	1,512
2 to 3 months	203	9
More than 3 months but less than 12 months	49	313
	3,212	5,365

21. CONTRACT LIABILITIES

	2019 RM'000	2018 RM'000
Freight forwarding and related services	485	155

As at 1 January 2018, contract liabilities amounted to RM236,000.

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

Freight forwarding and related services

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

22. BANK BORROWINGS AND OVERDRAFTS

	2019 RM'000	2018 RM'000
Secured bank borrowings	12,107	12,996
Bank overdrafts	558	652
	12,665	13,648
Bank borrowings and overdrafts are scheduled to repay as follows:		
— on demand or within one year	1,482	1,534
— more than one year, but not exceeding two years	966	916
— more than two years, but not exceeding five years	3,208	3,037
— after five years	7,009	8,161
	12,665	13,648
Amount due within one year included in current liabilities	(1,482)	(1,534)
Amount include in non-current liabilities	11,183	12,114

Notes:

(1) Bank borrowings are interest-bearing at the banks' base lending rate adjusted by certain basis points per annum. The interest rates of the Group's bank borrowings as at 31 December 2019 ranged from 4.5% to 7.1% (2018: 4.9% to 10.2%) per annum.

(2) As at 31 December 2019, the carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period based on the repayment dates set out in the related loan agreements which the related loan agreements contain a repayable on demand clause amounted to RM11,183,000 (2018: RM12,114,000).

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

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

(3) The bank borrowings and banking facilities as at 31 December 2019 and 2018 were secured by the following:

- leasehold land and buildings with a net carrying amount of RM13,241,000 (2018: RM13,511,000) as at 31 December 2019 (Note 17 and 16); and
- a corporate guarantee of the Company.

(4) As at 31 December 2019, the Group has available unutilised overdrafts and bank loan facilities of approximately RM2,470,000 (2018: RM1,487,000).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

23. LEASE LIABILITIES

The Group leases office premises and motor vehicles for operation and the lease payment that are not yet paid. All lease are entered at fixed prices.

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	As at 31 December 2019		As at 1 January 2019 (Note)		As at 31 December 2018 (Note)	
	Present value of the minimum lease payments RM'000	Total minimum lease payments RM'000	Present value of the minimum lease payments RM'000	Total minimum lease payments RM'000	Present value of the minimum lease payments RM'000	Total minimum lease payments RM'000
Within 1 year	1,478	1,665	1,954	2,220	939	1,036
After 1 year but within 2 years	1,306	1,410	1,510	1,684	511	568
After 2 year but within 5 years	1,199	1,245	2,410	2,538	671	722
	2,505	2,655	3,920	4,222	1,182	1,290
	3,983	4,320	5,874	6,442	2,121	2,326
Less: total future interest expenses		(337)		(568)		(205)
Present value of lease liabilities		3,983		5,874		2,121

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances as at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in Note 2(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

23. LEASE LIABILITIES (Continued)

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

	2019 RM'000	2018 RM'000
Current liabilities	1,478	939
Non-current liabilities	2,505	1,182
	3,983	2,121

As at 31 December 2019, the effective interest rates of the Group's finance lease liabilities ranged from 3.4% to 8.48% (2018: 3.9% to 6.7%) per annum.

The Group does not face a significant liquidity risk with regard to its lease liabilities.

The total cash outflows for leases including the payments of lease liabilities for the year ended 31 December 2019 was RM2,709,000 (2018: RM2,130,000).

24. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position

	2019 RM'000	2018 RM'000
Provision for Malaysian income tax for the year	172	488
Provision for Hong Kong profits tax for the year	—	16
Provisional Hong Kong Profits Tax and Malaysian income tax refund/(paid)	455	(753)
	627	(249)
Balance of Profits Tax provision relating to prior years	(797)	(548)
	(170)	(797)
Tax recoverables	(170)	(847)
Tax payables	—	50
	(170)	(797)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

24. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**(b) Deferred tax assets and liabilities**

- (i) Details of the deferred tax liabilities recognised and movements during the year:

	Accelerated tax depreciation RM'000
As at 1 January 2018	647
Credit to profit or loss for the year	59
As at 31 December 2018 and 1 January 2019	706
Charge to profit or loss for the year	27
As at 31 December 2019	733

- (ii) No deferred tax asset has been provided in the consolidated financial statements as there were no material deductible temporary differences as at 31 December 2019 (2018: Nil).

25. SHARE CAPITAL

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

	Number of shares	Amount RM'000	Amount HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
As at 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	1,000,000,000	5,383	10,000
Issued and fully paid:			
As at 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	800,000,000	4,154	8,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

26. RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Nature and purpose of reserves

(i) Share premium

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

(ii) Merger reserve

Merger reserve represented the difference between the nominal value of the issued share capital of its subsidiaries acquired by the Company pursuant to certain reorganisation of the Group and the nominal value of the shares issued by the Company in the prior year.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy in Note 3(k).

(iv) Other reserve

Other reserve represents the difference between the nominal value of the Company's shares issued for reorganisation and the net assets value of Worldgate international Investment Limited at the date of acquisition.

27. SHARE OPTION SCHEME

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

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

The Share Option Scheme will be valid and effective for a period of 10 years commencing from 17 June 2016, after which period no further options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and the options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

27. SHARE OPTION SCHEME (Continued)

The eligible persons of the Share Option Scheme to whom options may be granted by the directors shall include (i) any directors and any employee; (ii) any consultants or advisers; and (iii) any other person, who at the sole discretion of the board of directors, has contributed to the Group.

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

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

28. RELATED PARTY TRANSACTIONS

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

	2019 RM'000	2018 RM'000
Wages and salaries	3,538	4,237
Contributions to retirement benefits schemes	188	238
	3,726	4,475

29. CONTINGENT LIABILITIES

As at 31 December 2018, bank guarantees of RM522,000 of the Group were issued to suppliers for operational requirements. The directors do not consider it probable that a claim will be made against the Group under these guarantees and hence no related financial liabilities are recognised in the consolidated statement of financial position. The bank guarantee was released during the year ended 31 December 2019.

As at 31 December 2019 and 2018, the Company issued corporate guarantee to a bank in respect of bank borrowings and banking facilities granted to a subsidiary. Details of the bank borrowings and banking facilities are set out in note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

30. OPERATING LEASE COMMITMENTS

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

As at 31 December 2018, the future minimum lease payments of the Group under non-cancellable operating leases which fall due as follows:

	2018 RM'000
Not later than one year	677
Later than one year and not later than two years	242
Later than two years and not later than five years	5
	924

31. FINANCIAL INSTRUMENTS

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

	2019 RM'000	2018 RM'000
Financial assets		
Trade and other receivables	14,597	18,840
Cash and bank balances	21,265	24,184
	35,862	43,024
Financial liabilities		
Trade and other payables	4,238	6,869
Lease liabilities	3,983	2,121
Bank borrowings and overdrafts	12,665	13,648
	20,886	22,638

Financial instruments not measured at fair value

The directors consider the carrying amounts of the Group's financial instruments carried at amortised costs are not materially different from their fair values as at 31 December 2019 and 2018.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

32. FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

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

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers. Trade receivables are due within 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group has a certain concentration of credit risk as 8% (2018: 8%) of the total trade receivables was due from the Group's largest customer, respectively.

Credit risk on bank deposits is limit because the counterparties are reputable banks with high credit ratings assigned by credit agencies.

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

(b) Liquidity risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

32. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

	Carrying amount RM'000	Total contractual undiscounted cash flow RM'000	Within 1 year or repayable on demand RM'000	More than 1 year but less than 5 years RM'000	More than 5 years RM'000
31 December 2019					
Trade and other payables	4,238	4,238	4,238	—	—
Bank borrowings and overdrafts	12,665	16,534	2,125	6,218	8,191
Lease liabilities	3,983	4,320	1,665	2,655	—
	20,886	25,092	8,028	8,873	8,191

	Carrying amount RM'000	Total contractual undiscounted cash flow RM'000	Within 1 year or repayable on demand RM'000	More than 1 year but less than 5 years RM'000	More than 5 years RM'000
31 December 2018					
Trade and other payables	6,869	6,869	6,869	—	—
Bank borrowings and overdrafts	13,648	18,156	2,217	6,193	9,746
Lease liabilities	2,121	2,326	1,036	1,290	—
Financial guarantees — maximum amount guaranteed (<i>Note 29</i>)	—	522	522	—	—
	22,638	27,873	10,644	7,483	9,746

(c) Interest rate risk

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

All of the Group's bank borrowings as at 31 December 2019 and 2018 bore interest at floating rates whereas its lease liabilities bore interest at fixed rates. Details of lease liabilities and bank borrowings and overdrafts are disclosed in Notes 23 and 22, respectively.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

32. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk (Continued)

Bank balances earn interest at prevailing market interest rate exposes the Group to cash flow interest rate risk. The directors consider the Group's exposure to interest rate risk in respect of bank balances is not significant due to low level of deposit interest rate.

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

At 31 December 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year and accumulated losses by approximately RM127,000 (2018: RM105,000). The changes in interest rates do not affect the Group's other component of equity.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting period. The analysis is performed on the same basis for 2019 and 2018.

(d) Currency risk

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

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

As at 31 December 2019 and 2018, the Group had no open foreign currency forward contracts to mitigate the risk on foreign currency fluctuation against RM.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

32. FINANCIAL RISK MANAGEMENT (Continued)**(d) Currency risk (Continued)**

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

	2019 RM'000	2018 RM'000
Trade receivables	1,913	2,486
Cash and cash equivalents	3,154	941
Trade payables	(609)	(1,057)
Overall net exposure	4,458	2,370



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

32. FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk

The following table indicates the instantaneous change in the Group's loss after tax (and Accumulated) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2019			2018		
	Increase/ (decrease in foreign exchange rates	Effect on loss after tax and accumulated loss RM'000	Effect on other components of equity RM'000	Increase/ (decrease in foreign exchange rates	Effect on loss after tax and accumulated loss RM'000	Effect on other components of equity RM'000
United States Dollars	5% (5%)	223 (223)	— —	5% (5%)	119 (119)	— —

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effect on each of the Group entities' loss after tax and equity measure in the respective functional currencies, translated into RM at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

As at 31 December

	<i>Notes</i>	2019 RM'000	2018 RM'000
Non-current assets			
Investment in a subsidiary		23,988	23,988
Total non-current assets		23,988	23,988
Current assets			
Other receivables, deposits and prepayments		122	41
Amounts due from subsidiaries		11,250	11,897
Cash and bank balances		5,237	10,250
Total current assets		16,609	22,188
Current liabilities			
Other payables and accruals		414	706
Total current liabilities		414	706
Net current assets		16,195	21,482
Net assets		40,183	45,470
Capital and reserves			
Share capital	25	4,154	4,154
Reserves	26	36,029	41,316
Total equity		40,183	45,470

On behalf of the directors

Lai Kwok Hei
DirectorTsui Ka Mei
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)**(a) Movements in components of equity***The Company*

The movements of the Company's reserves during the year ended 31 December 2019 and 2018 were as follows:

	Share premium (Note 26(i)) RM'000	Exchange reserves (Note 26(ii)) RM'000	Other reserve (Note 26(iv)) RM'000	Accumulated losses RM'000	Total RM'000
Balance as at 1 January 2018	29,425	405	32,384	(17,201)	45,013
Loss for the year	—	—	—	(4,167)	(4,167)
Other comprehensive income	—	470	—	—	470
Balance as at 31 December 2018 and 1 January 2019	29,425	875	32,384	(21,368)	41,316
Loss for the year	—	—	—	(5,108)	(5,108)
Other comprehensive income	—	(179)	—	—	(179)
Balance as at 31 December 2019	29,425	696	32,384	(26,476)	36,029

(b) Distributable reserves

As at 31 December 2019, the Company's reserves available for distribution to shareholders amounted to approximately RM35,333,000 (2018: RM40,441,000). This includes the Company's share premium approximately RM29,425,000 (2018: RM29,425,000) and other reserve of approximately RM32,384,000 (2018: RM32,384,000), less accumulated losses of approximately RM26,476,000 (2018: RM21,368,000) which are available for distribution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

34. INVESTMENTS IN SUBSIDIARIES

Details of principal activities are as follows:

Name of subsidiary	Place of incorporation and type of legal entity	Place of operation	Issue and paid up capital		Effective interest held by the Company		Principal activities
			2019	2018	2019	2018	
Worldgate International Investment Limited	the BVI/Limited liability company	Hong Kong	US\$100	US\$100	100%	100%	Investment holding
Pacific Express Limited	the BVI/Limited liability company	Hong Kong	US\$1,000	US\$1,000	100%	100%	Investment holding
Worldgate Express Services Sdn. Bhd.	Malaysia/Limited liability company	Malaysia	RM5,000,000	RM5,000,000	100%	100%	Freight forwarder and warehouse management service
My Forwarder International Sdn. Bhd.	Malaysia/Limited liability company	Malaysia	RM1,000,000	RM1,000,000	100%	100%	Freight forwarder
Freight Transport Network Sdn. Bhd.	Malaysia/Limited liability company	Malaysia	RM1,000,000	RM1,000,000	100%	100%	Freight forwarder
Dong Tai Logistics Holdings Limited	the BVI/Limited liability company	Hong Kong	US\$1	US\$1	—	100%	Investment holding
Dong Tai Logistics (Hong Kong) Holdings Limited	Hong Kong/Limited liability company	Hong Kong	HK\$10,000	HK\$10,000	—	100%	Provide supporting services to other Group's entities
Starry City Limited	Hong Kong/Limited liability company	Hong Kong	HK\$1	HK\$1	—	100%	Dormant
Worldgate Haulage Services Sdn. Bhd.	Malaysia/Limited liability company	Malaysia	RM5,000,000	RM500,000	100%	100%	Provision of trucking and haulage services
Dominant Apex Limited	Hong Kong/Limited liability company	Hong Kong	HK\$1	HK\$1	100%	100%	Trading of used mobile phones and provision of logistic service

Notes:

1. Except for Worldgate International Investment Limited and Pacific Express Limited, all the subsidiaries are indirectly held by the Company.
2. None of the subsidiaries had debt securities outstanding as at the end of the year or at any time during the year.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

35. DISPOSAL OF SUBSIDIARIES

On 6 December 2019, the Group entered into a sales and purchase agreement with an independent third party in respect of the disposal of the entire issued share capital of Dong Tai Logistics Holdings Limited and its subsidiaries ("Dong Tai Group") and all the liabilities, obligations and indebtedness due by Dong Tai Group to the Group. At the date of disposal, the net assets of Dong Tai Group were as follows:

	RM'000
Cash consideration	84
Analysis of assets and liabilities over which control was lost:	
Deposit	84
Bank balances	42
Net assets disposal of	126

Loss on disposal of subsidiaries:

	RM'000
Cash consideration	84
Net assets disposal of	(126)
Release of exchange reserve upon disposal of subsidiaries	(2)
Loss on disposal	(44)

Effect of cash flow in investing activities:

	RM'000
Proceeds from disposal of subsidiaries	84
Less: Bank balances disposed of	(42)
Net proceeds	42

36. CAPITAL RISK MANAGEMENT

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

36. CAPITAL RISK MANAGEMENT (Continued)

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

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

	2019 RM'000	2018 RM'000
Bank borrowings and overdrafts	12,665	13,648
Lease liabilities	3,983	2,121
	16,648	15,769
Total equity	40,942	45,598
Gearing ratio	41%	35%

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

37. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2.

38. EVENT AFTER THE END OF THE REPORTING PERIOD

- (a) On 24 February 2020, the Group entered into a sale and purchase agreement with a vendor for an acquisition of one-third of the issued share capital of Grand Moore Capital Limited, which is principally engaged in provision IPO sponsorship services, advisory services with respect to corporate finance transactions, equity financing and private equity investment at a consideration of HK\$11,600,000. Details of the acquisition was set out in the Company's announcements dated 24 February 2020.
- (b) Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impact on the global business environment. Pending the development and spread of COVID-19 subsequent to the date of this announcement, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this announcement. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.



FINANCIAL SUMMARY

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

Results

	For the year ended 31 December				2019 RM'000
	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	
Revenue	83,044	107,077	96,442	74,278	64,350
Cost of sales	(62,231)	(89,075)	(81,387)	(62,060)	(52,757)
Gross profit	20,813	18,002	15,055	12,218	11,593
Other income and net gains	2,122	1,106	422	820	663
Administrative expenses	(11,788)	(19,196)	(16,028)	(15,407)	(15,564)
Loss on disposal of subsidiaries	—	—	—	—	(44)
Finance costs	(1,056)	(1,236)	(1,033)	(966)	(979)
Profit/(loss) before taxation	10,091	(1,324)	(1,584)	(3,335)	(4,331)
Income tax (expense)/credit	(3,122)	1,317	(577)	(563)	(199)
Profit/(loss) for the year	6,969	(7)	(2,161)	(3,898)	(4,530)
Attributable to:					
Owners of the Company	6,969	(7)	(2,161)	(3,898)	(4,530)

Assets and Liabilities

	As at 31 December				2019 RM'000
	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	
Total assets	68,463	94,232	82,879	69,147	63,046
Total liabilities	(38,158)	(40,606)	(33,725)	(23,549)	(22,104)
Total equity	30,305	53,626	49,154	45,598	40,942