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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 2020

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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*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 2020. This announcement, containing the full text of the Annual Report 2020, 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, 25 March 2021

As at the date of this announcement, the executive Directors are Mr. LAI Kwok Hei 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

Board of Directors

Executive Directors

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

Independent Non-executive Directors

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

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

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarters and Principal Place of Business in Malaysia

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

Principal Place of Business in Hong Kong

Unit 5D, 5/F, Hang Cheong Factory Building
No. 1 Wing Ming Street
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 2020 (the "**Financial Year**").

The Group is a well-established integrated logistics solution provider in Malaysia and Hong Kong 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.

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 and Hong Kong are 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 logistics service in Hong Kong remains as the main window for business to business and cross-border e-commerce trade from China to worldwide. Hence, the Group will focus on exploring the business as its key growth engine.

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 RM17.3 million (2019: RM18.8 million), representing a decrease of about 8.0% 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 2020 and 2019 is set out in the table as below:

	For the year ended 31 December	
	2020	2019
	'000 kg	'000 kg
Air freight shipment volume		
(a) Export	**5,561**	4,575
(b) Import	**1,989**	2,862

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 RM26.5 million (2019: 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 2020 and 2019 is set out in the table as below:

	For the year ended 31 December	
	2020	2019
	TEU	TEU
Sea freight shipment volume		
(a) Export	**8,364**	9,744
(b) Import	**7,264**	10,537

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 RM24.8 million (2019: RM6.2 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 2019 and 2020.

Trading of used mobile phones business

Due to keen market competition, management are carrying out a comprehensive review on the market in relation to trading of used mobile phones. Therefore, the Group did not generate revenue from trading of used mobile phones during the Financial Year. During the year 2019, the Group recorded a revenue from the trading of used mobile phones of approximately RM4.1 million.

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 widen 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 RM23.8 million (2019: RM4.0 million), representing approximately 34.5% (2019: 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.

Share reorganisation

On 18 January 2021, the Company has consolidated every ten issued and unissued shares of par value HK$0.01 each into one Consolidated Share of par value of HK$0.1. Besides, the authorised share capital of the Company has increased from 100,000,000 Consolidated Shares to 1,000,000,000 Consolidated Shares.

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

Future Prospects and Outlook

During the Financial Year, the Group face with the continuing challenge with the unprecedented impact of COVID-19 pandemic on the global economic outlook, which also impacted the general economic and market conditions in Malaysia and Hong Kong and the industry in which we operate.

During the Financial Year, the Group continues to be responsive to the impact of the COVID-19 pandemic. Management is continuously monitoring the situation and strengthen the position as an integrated logistics solutions 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; and (ii) new business opportunities in Malacca, Johor and border of Thailand upon opening up of the borders of the ASEAN countries; and rapid development of e-commerce business from China to worldwide. To achieve this, the Group intends to further expand its business in major gateways of Malaysia and China and expand the scope of services to cover cross border trucking, haulage and rail freight.

Besides, the Group is of the view that Hong Kong will remain as the main window for business-to-business and cross-border e-commerce trade from China to worldwide in the coming years. On this basis, the Board allocates more resources to focus on exploring the Group's logistics business in Hong Kong will ultimately transform such business into the Group's key growth engine. The Board is of the view that the logistics business will 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 logistic service amounted to approximately RM69.0 million and RM60.2 million for the year ended 31 December 2020 and 2019. Majority of the Group's income was attributable to integrated logistics services for the year ended 31 December 2020 and 2019. For the Financial Year, approximately 25.0% and 38.4% of the Group's revenue was attributable to air freight services and sea freight services respectively. For the year ended 31 December 2019, approximately 29.2% and 53.4% of the Group's turnover was attributable to air freight services and sea freight services respectively.

Revenue from the integrated logistics services for the Finance Year increased by approximately 14.6% or approximately RM8.8 million as compared to that of the previous year. The increase was mainly contributed from the logistic services in Hong Kong increased by approximately 4.9 times 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 increase in revenue, the cost of sales for the Financial Year increased by approximately 14.2% or RM7.5 million as compared to that of the previous year.

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

Gross Profit and Gross Profit Margin

The gross profit decreased by approximately 24.3% from RM11.6 million for the year ended 31 December 2019 to RM8.8 million for the Financial Year. It was mainly due to the revenue generated from sea freight services for the year ended 31 December 2020 decreased 22.9% where the shipment volume decrease about 22.9% from about 20,281 TEU for the year ended 31 December 2019 to about 15,628 TEU for the Financial Year. Further, there was no significant changes for the revenue generated from air freight services for the year ended 31 December 2020 where the shipment volume increase about 1.5% from about 7.4 million kg for the year ended 31 December 2019 to about 7.6 million kg for the Financial Year. Besides, trucking and related services increased by approximately 293.5% from RM6.2 million for the year ended 31 December 2019 to RM24.8 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 decreased to 12.7% for the year ended 31 December 2020 from 18.0% for the year ended 31 December 2019.

Administrative Expenses

The administrative expenses were RM14.7 million and RM15.5 million for the Financial Year and the year ended 31 December 2019. The administrative expenses mainly consist of 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 RM0.8 million (2019: RM1.0 million).

Income Tax Expense

During the Financial Year, the Group recorded income tax credit of approximately RM0.3 million (2019: RM0.2 million).

The subsidiary of the Group had been granted the International Integrated Logistic Services status by Malaysian Investment Development Authority (MIDA), in which 70% of statutory income tax were exempt, for a period of five years until 30 June 2019. There is no tax exemption on 70% of statutory income for the Financial Year onwards (2019: RM42,000).

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 (2019: 16.5%).

Loss for the year and Loss per Share

The Group recorded a loss of approximately RM1.6 million for the Financial Year (2019: RM4.5 million). The Group's loss per share for the Financial Year was RM1.85 sen (2019 (restated): RM5.66 sen).

Liquidity, Financial Resources and Capital Structure

As at 31 December 2020,

(a) the Group's net current assets was approximately RM29.7 million (2019: RM29.4 million) and the Group had cash and bank balance of approximately RM13.7 million (2019: RM21.3 million);

(b) the Group had bank borrowings and overdrafts and lease liabilities of approximately RM11.9 million (2019: RM12.7 million) and RM2.7 million (2019: RM4.0 million);

(c) the Group's current ratio was approximately 4.8 times (2019: 4.8 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 33.9% (2019: 40.7%); and

(d) the Group's total equity attributable to owners of the Company amounted to RM43.2 million (2019: RM40.9 million). The capital of the Company mainly comprises share capital and reserves.

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

Dividends

The Board does not recommend the payment of a final dividend for the Financial Year (2019: nil).

Significant Investments Held by the Group

During the Financial Year, there was no significant investment held by the Group as at 31 December 2019 and the Financial Year.

Material Acquisitions and Disposals of Subsidiaries and Associates

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 above, the Group did not have any material acquisitions and disposals of subsidiaries and associates.

Capital Commitments

As at 31 December 2020, the Group did not have any significant capital commitments for purchase of property, plant and equipment.

Pledge of Assets

At the 31 December 2020, certain of the Group's land and buildings with net carrying amount of RM13.0 million (2019: RM13.2 million) were pledged to secure the bank borrowings granted to the Group by licensed banks.

Future Plan for Material Investments and Capital Assets

On 17 November 2020, the Group entered into a sale and purchase agreement with an independent third party for the acquisition of 51% of the issued share capital in the Target Company, which is principally engaged in general trading business. Viet Nam Initation, a limited liability company incorporated in Vietnam on 6 August 2007 which is wholly owned by the Target Company, is principally engaged in (i) manufacturing plastic products and accessories for industrial and civil equipment, (ii) producing molds related to plastic products, (iii) trading of plastic products and accessories, and (iv) real estate business and subleasing of excess land. Details of the acquisition was set out in the Company's announcements dated 17 November 2020, 20 November 2020, 30 November 2020, 16 December 2020, 23 December 2020, 30 December 2020, 28 January 2021 and the circular dated 30 December 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 2020, bank guarantees of RM397,000 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.

As at 31 December 2020 and 2019, 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.

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 2020 and 2019, 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 2020, the Group has a total of 198 (2019: 179) full-time employees. The total employee remuneration including remuneration of the Directors for the Financial Year amounted to RM12.5 million (2019: RM13.5 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)

Use of Proceeds from the Company's Share Placing

The net proceeds received from the placing of 40,000,000 ordinary shares of the Company at a price of HK$0.03 each on 23 October 2020 (the "**Share Placing**"), after deducting issue expenses relating to the Share Placing paid by the Company, amounted to approximately HK$1.1 million. The planned use of proceeds was solely for financing the Group's working capital.

The analysis of the actual use of the proceeds is set out below:

	RM Equivalent '000	HK$ '000
Administration expense	133	254
Professional fee	37	70
Legal fee	251	479
Share register	22	43
Audit fee	114	218
Others	19	36
	576	1,100

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 2020 (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 (b) Establishment of office in Padang Besar, Perlis, Malaysia (Thailand border) and warehouse in Penang	The Group is in progress of hiring more new sales staff to promote and further expand Northern, Southern & Central region markets. 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.

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
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	The Group targeted to upgrade the Hong Kong logistics system which compatible with international express services and postal solutions.
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 (b) Consideration for acquisition	Reallocation of HK$15 million for setting up the logistics business in Hong Kong and HK$2.7 million as general working capital.
6. Setting up the logistic business in Hong Kong	(a) Cost for establishing operation team	The Group has built up the operation team and delegate the management team to oversee the business operation.
	(b) Recruitment cost for new talents	New talents were hired for setting up the logistics business with the stable improvement.
	(c) Purchase of warehouse system	The Group has purchased the Oder Management and Fulfillment System for supporting the e-business activities on merchandising, fulfilment and warehousing management.

Use of Proceeds

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

Business strategies as stated in the Prospectus	Planned use of net proceeds as stated in the Prospectus during the Relevant Period HK$' million	Changed use of net proceeds as stated in the announcement dated 12 November 2019 HK$' million	Actual use of proceeds during the Relevant Period HK$' million	Remaining balance after revised use of proceeds HK$' million	Expected timeline of fully utilisation of the balance
1. Further expand its representative/branch office in major gateways of Malaysia	14.6	14.6	2.8	11.8	End of 2021
2. Expand the scope of services	4.4	4.4	0.5	3.9	End of 2021
3. Further strengthen the information technology systems	6.5	6.5	2.6	3.9	End of 2021
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	7.4	–	–
8. Setting up the logistics business in Hong Kong	–	15.0	15.0	–	–
Total	51.6	51.6	32.0	19.6	

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, 25 March 2021

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Lai Kwok Hei ("Mr. Lai"), aged 36, 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. Tsui Ka Mei ("Ms. Tsui"), aged 27, 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 56, 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.

Ms. Wong Hoi Yan Audrey ("Ms. Wong"), aged 50, was appointed as Independent Non-Executive Director on 21 May 2019. She was also appointed as the member of the Audit Committee, and the Chairman of Remuneration Committee of the Company with effect from 21 May 2019.

Ms. Wong, has over 20 years of experience in accounting, financial control, banking, corporate finance and asset management. She served a number of Hong Kong listed companies in the areas of manufacturing, trading and properties development; banking 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 Hong Kong Institute of Certified Public Accountant and a Certified Public Accountant in the Washington State of the USA. Currently, Ms. Wong is the Chief Financial Officer and Company Secretary of China Asia Valley Group Limited (stock code: 63), holds Type 1 (Dealing in Securities) and Type 9 (Asset Management) licenses from the Securities and Futures Commission of Hong Kong, as vice president (consultant), of Power Securities Company Limited and Power Asset Management Company Limited.

Mr. Ma Kin Hung ("Mr. Ma"), aged 75, 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 46, 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. Kan Chee Yuen, Myocho, age 48, holds a professional degree from the Institute of Chartered Secretaries and Administrators, United Kingdom. He was appointed the Chief Executive Officer of Worldgate Express Services Sdn. Bhd. on 1st January 2020. He was previously the Advisor of Worldgate Express Services Sdn. Bhd. since 2017. Prior to joining Worldgate Express Services Sdn. Bhd., he was the formerly the Independent Director Compliance & System Integrity of Pegasus Berhad (an oil and gas group of companies), Director of Clara International, Vice President of MINDS and Founder of Asian Caucus of Invention Associations Hong Kong.

Myocho Kan also sits as the President of Asian Alliance for Advancement Malaysia, Founder of Advance Accreditation Authority Singapore, Advisor of Indonesian Young Scientists Association as well as other professional capacities in various professional bodies. Myocho was awarded the international Brand Laureate Award 2020 for The Icon of Professionalism and Integrity. He was also appointed as the Panel of Evaluators for the National Occupational Skills Standard under the Ministry of Human Resources.

His exposure in logistics industry during his capacities as the trainer and consultant includes Freight Management, FM Worldwide Logistics, and Sinkung Logistics. Myocho is recognised as the architect of high performance organisations through process and system development and deployment as well as strategic human capital development, with more than 300 organisations benefitted since 1994.

Myocho Kan extends his forte in bringing about integrity, professional governance and strategic acumen into Worldgate to transform it into a resilient and high performing organisation. He is instrumental in the company's due diligence, business and operation process integrity, policy as well as strategic and financial and business positioning of Worldgate.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Liao Kwok Hoong, Jerome, age 50, joined as Vice President (Operations) on 5 August 2020. His main responsibilities is managing the day to day operations of the air/sea freight, warehouse, trucking and haulage division for Worldgate.

Mr. Liao has over 20 years of experience in the Supply Chain and Logistics industry. From April 2000–2002, Mr. Liao was the Global Account Manager in DHL Express Worldwide. Later joined Eagle Global Logistics (EGL) in late 2002 as the Corporate Account Manager. In 2003, Mr. Liao joined Accord Logistics as a National Sales Manager.

Mr. Liao also a Director of Operations in the manufacturing industry, with vast experience in ERP systems. Managing an entire supply chain operations for an office furniture company in Singapore and India. A few years later as Director of Logistic for a MLM company, based on Indonesia and China.

Mr. Liao was awarded the Platinum Award for Dell Global Service Logistics project (Global Distribution Centre) in Shanghai, China. As the Senior Supply Chain Manager in Dell, he was managing the spare parts for the APAC region (1 Global Distribution Centre, 1 Regional Hub, 16 Country Hubs and 33 Satelite Hubs) from September 2009–January 2014. Joined B.Braun Penang as the Senior Regional Logistics Manager in February 2014, redesigning the entire supply chain and logistics landscape for B.Braun APAC.

Mr. Khoo Kok Meng Mark, aged 60, was employed by Worldgate Express Services Sdn Bhd as Vice President – Sales on 19 October 2020. His primary responsibility is to enhance sales for both local and international market, with a secondary responsibility overseeing Pricing and Customer Service. Capitalising on his rich experience in total logistics and supply chain management, Mr Mark Khoo is instrumental in the full business development process of Worldgate Express Services Sdn Bhd.

Mr. Mark Khoo has spent the last 40 years of his career with various business units and sectors of logistic industry with multinationals such as DHL, APL Logistics, Kuehne+Nagel, Schenker, Panalpina and others. His last position is with Schenker as the General Manager whereby he managed 4 branches under his wing with prior being the General Manager Business Development & Marketing. Mr. Mark's experience and exposure cover all spectrum of the logistic industry including freighting of both air and sea, trucking, haulage and warehousing.

Mr. Shum Shing Kei ("Mr. Shum"), aged 49, 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.

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 five Directors:

Executive Directors

Mr. Lai Kwok Hei, *Chairman*
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/her independence, and the Company considers such directors to be independent in accordance with each and the various guidelines set out in Rule 5.09 of the GEM Listing Rules.

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

Continuing Professional Development

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

All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, all Directors, namely Mr. Lai Kwok Hei, 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 2019, the three months ended 31 March 2020, the six months ended 30 June 2020 and the nine months ended 30 September 2020; (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) allotment of shares; (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 *(Chairman)*	10/10
Ms. Wen Jianping	0/4
Ms. Tsui Ka Mei	9/10
Independent Non-executive Directors	
Mr. Ma Kin Hung	8/10
Ms. Wong Hoi Yan Audrey	10/10
Mr. Wong Siu Keung Joe	10/10

During the Financial Year, an annual general meeting of the Company was held on 29 May 2020 (the "**2019 AGM**").

The attendance of each Director at the 2019 AGM is as follows:

Name of Directors	Board meeting attended/ Eligible to attend
Executive Directors	
Mr. Lai Kwok Hei *(Chairman)*	1/1
Ms. Tsui Ka Mei	1/1
Independent Non-executive Directors	
Mr. Wong Siu Keung Joe	1/1
Ms. Wong Hoi Yan Audrey	0/1
Mr. Ma Kin Hung	0/1

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.

- regarding the above paragraph:

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

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

During the Financial Year, the Audit Committee held 4 meetings, at which the Audit Committee reviewed and discussed (i) the Group's consolidated results for the year ended 31 December 2019, the three months ended 31 March 2020, the six months ended 30 June 2020 and the nine months ended 30 September 2020; and (ii) Risk Management and Internal Control system.

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

Name of Directors	Number of attendance/ number of meetings
Mr. Wong Siu Keung Joe, Chairman	4/4
Ms. Wong Hoi Yan Audrey	4/4
Mr. Ma Kin Hung	4/4

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Audit Committee has reviewed the Company's audited consolidated financial results for the Financial Year, including the accounting principles and practice adopted by the Group, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, the effectiveness of the Group's internal control and risk management systems and the Group's internal audit function and recommended to the Board for consideration the same and the re-appointment of 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/her associates is involved in deciding his/her own remuneration; and
- consulting the Chairman and/or Chief Executive (where applicable) about their remuneration proposals for other Executive Directors.

During the Financial Year, the Remuneration Committee held 2 meetings, at which the Remuneration Committee reviewed and discussed the remuneration packages for the Directors, individual executive Directors and senior management and making recommendations to the Board.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

Name of Directors	Number of attendance/ number of meetings
Ms. Wong Hoi Yan Audrey, *Chairman*	2/2
Mr. Wong Siu Keung Joe	2/2
Mr. Ma Kin Hung	2/2

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.

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

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

During the Financial Year, the Nomination Committee held 1 meeting, at which the Nomination Committee reviewed and discussed (i) the structure, size and composition of the Board; (ii) the independence of the INEDs; (iii) 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. Ma Kin Hung, *Chairman*	1/1
Mr. Lai Kwok Hei	1/1
Mr. Wong Siu Keung Joe	1/1

Corporate Governance Functions

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

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

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

Auditors' Remuneration

For the Financial Year, 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	300,000
Non-audit services – Taxation service	8,000

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:

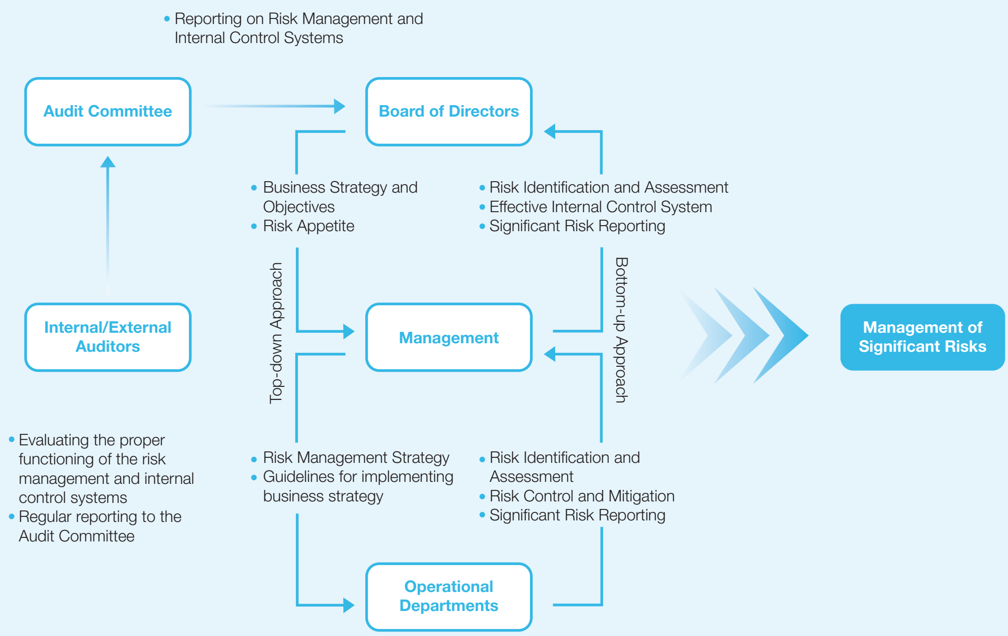
- segregating duties and functions of the respective operational departments of the Group;
- reviewing systems and procedures to identify, measure, manage and control risks; and
- updating the staff handbook, internal control manual and compliance manual where there are changes to business environment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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

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



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

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. 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 2020 are set forth in the consolidated financial statements on pages 47 to 111 of this annual report.

Final Dividend

The Board does not recommend the payment of a final dividend for the Financial Year (2019: nil).

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 14 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 2020.

Share Capital

Details of the Company's share capital are set out in note 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 2020, the Company's reserves available for distribution to the Shareholders comprising (share premium, other reserve and accumulated losses amounted to approximately RM29.4 million. Details of the Company's distributable reserves as at 31 December 2020 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 2020, there were a total of 8,000,000 Shares, representing approximately 6.1% 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 27.8% of the Group's cost of sales and the largest supplier accounted for about 8.7% of the cost of sales.

During the Financial Year, the five largest customers of the Group accounted for about 26.0% of the Group's total revenue and the largest customer accounted for about 7.8% 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 33 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 2020 containing all information required by the GEM Listing Rules will be published on the respective websites of GEM and the Company in due course.

Permitted Indemnity Provisions

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

Compliance with Laws and Regulations

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

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

Key Relationship with Employees, Customers and Suppliers

The Group is committed to 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 compliant will be studied, analysed and evaluated and recommendations will be in place for improvement.

REPORT OF THE DIRECTORS (CONTINUED)

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

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

Directors

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

Executive Directors

Mr. Lai Kwok Hei, *Chairman*
Ms. Wen Jianping (duties suspended since 3 April 2020, ceased on 29 May 2020)
Ms. Tsui Ka Mei

Independent Non-executive Directors

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

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 and Ms. Tsui Ka Mei 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.

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.

Mr. Wong Siu Keung Joe has a fixed term of appointment for a period of one year commencing on 17 June 2020; Ms. Wong Hoi Yan Audrey has a fixed term of appointment for a period of one year commencing on 21 May 2020; Mr. Ma Kin Hung has a fixed term of appointment for a period of one year commencing on 31 July 2020; 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 11 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 2020, 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 Ex-Director	Capacity/Nature of interest	Number of Shares held[1]	Percentage of shareholding
Ms. Wen Jianping	Beneficial owner	10,000,000 (L)	1.00%

Note:

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

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executives of the Company had, or was deemed to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Model Code.

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

As at 31 December 2020, 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)	23.2%
Mr. Lau Chi Yuen, Joseph ("**Mr Lau**")	Interest in controlled corporation[2]	232,000,000 (L)	23.2%
Crown World Investments Limited ("**Crown World**")	Person having a security interest in shares[3]	160,000,000 (L)	16.0%
Mr. Zhong Xian Wen ("**Mr Zhong**")	Interest of corporation controlled[3]	160,000,000 (L)	16.0%

(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) Crown World is a company owned as to 100% by Mr. Zhong. By Virtue of the SFO, Mr. Zhong is deemed to be interested in 160,000,000 Shares held by Crown World.

(4) On 23 October 2020, 40,000,000 ordinary shares were allotted and issued to Win All Management Limited at the subscription price of HK$0.03 per share.

(5) On 28 January 2021, 200,000,000 ordinary shares (equivalent to 20,000,000 Consolidated Shares) were allotted and issued to Noble Might Limited ("**Noble Might**") which is a company 100% owned by Ms. Chan Ka Wai ("**Ms. Chan**") at the subscription price of HK$0.33 per consolidated share. By virtue of the SFO, Ms. Chan is deemed to be interested in 20,000,000 Consolidated Share held by Noble Might.

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

REPORT OF THE DIRECTORS (CONTINUED)

Directors' Rights to Acquire Shares or Debentures

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

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 33 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

(i) Acquisition of a subsidiary

At 17 November 2020, the Group has entered into a sale and purchase agreement with an independent third party for an acquisition of 51% of the issued share capital of China Elegant Limited ("**China Elegant**") at a consideration of HK$6,600,000 which will be satisfied by share of the Company. At 28 January 2021, the acquisition was completed. An aggregate of 200,000,000 shares (equivalent to 20,000,000 consolidated shares at the issue price of HK$0.33 each assuming that the share consolidation has become effective) have been allotted and issued by the Company at the issue price of HK$0.033 each for the settlement of the consideration. The directors are in the progress of assessing the financial impact of the acquisition of China Elegant.

(ii) Share consolidation

A share consolidation of 10 shares into 1 share at the Company had been completed on 18 January 2021. After the share consolidated become effective, the authorised share capital of the Company become HK$10,000,000 divided into 100,000,000 consolidated shares of HK$0.1 each, of which 100,000,000 consolidated shares will be in issue, which are fully paid or credited as fully paid.

REPORT OF THE DIRECTORS (CONTINUED)

(iii) Increase in authorised share capital

In order to undertake the acquisition mentioned in (i), the Company required to issue an aggregate of 200,000,000 consideration shares (equivalent to 20,000,000 consolidated shares assuming the share consolidation has become effective). The Board proposes to increase the Company's authorised share capital from HK$10,000,000 divided into 1,000,000,000 shares (equivalent to 100,000,000 consolidated shares assuming the share consolidation has become effective) to HK$100,000,000 divided into 10,000,000,000 Shares (equivalent to 1,000,000,000 consolidated shares assuming the share consolidation has become effective) by the creation of an additional 9,000,000,000 shares (equivalent to 900,000,000 consolidated shares assuming the share consolidation has become effective). At 18 January 2021, the increase in authorised share capital has become effective.

(iv) Subscription of shares

On 26 February 2021, the Group and the placing agent entered into the placing agreement pursuant to which the Company appointed the placing agent to place, subject to the fulfillment of the condition precedent to the placing, a maximum of 12,000,000 placing shares to not less than six independent placees at a price of HK$0.17 per placing share. The placing was completed on 16 March 2021.

The net proceeds from the placing, after deducting the placing commission payable to the placing agent and other expenses incurred in the placing, are approximately HK$1.90 million. The Company intends to apply all the net proceeds for general working capital of the Group.

Save as disclosed above, the Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 December 2020 and up to the date of this report.

Independent Auditor

Elite was appointed as auditor of the Company on 5 December 2019 upon the resignation of Messr 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, 25 March 2021

INDEPENDENT AUDITOR'S REPORT

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

TO THE MEMBERS 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 47 to 111, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgments, 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.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on property, plant and equipment and right-of-use assets Refer to notes 4(ii), 14 and 15 to the consolidated financial statements and the accounting policies set out on note 3.5. The carrying amount of property, plant and equipment and right-of-use assets are significant to the Group amounting to approximately RM15,733,000 and RM6,343,000 respectively as at 31 December 2020. 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 2020. 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.	Our procedures in relation to management's impairment assessment on property, plant and equipment and right-of-use assets included: • Discussed and evaluated 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 HKFRSs, taking into account business changes during the year; • Assessed the competence, capability and objectivity of the external independent professional valuer (the "Valuer") engaged by the Group to estimate the recoverable amount and evaluating the methodology adopted by the Valuer; • Discussed with the Valuer on the scope, and assessed the valuation methodologies and certain key assumptions used in determining the recoverable amounts; • Challenged the key assumptions used in the discounted cash flow forecast; • Assessed 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; • Re-performed 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)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on trade receivables	
Refer to notes 4(iv) and 17 to the consolidated financial statements and the accounting policies set out on note 3.7. As at 31 December 2020, the carrying amount of the Group's trade receivables amounting to approximately RM16,266,000 (after allowance for credit losses of RM555,000). 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.	Our procedures in relation to management's impairment assessment on trade receivables included: • Understood, evaluated of related internal controls; • Tested on a sample basis the ageing of trade receivables at year end; • Checked on a sample basis the settlement subsequent to the financial year end to the trade receivables; • Assessed 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 of the Company 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.

Responsibilities of Directors and Those Charged with Governance 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.

Those charged with governance are responsible 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 our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Mr. Lock Kwong Hang, Simon with Practising Certificate number: P06735.

Elite Partners CPA Limited
Certified Public Accountants
10/F, 8 Observatory Road, Tsim Sha Tsui
Kowloon, Hong Kong

25 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** **RM'000**	2019 RM'000
Revenue	*5*	**69,038**	64,350
Cost of sales		**(60,257)**	(52,757)
Gross profit		**8,781**	11,593
Other income and other net gain	*7*	**974**	663
Fair value change on financial asset at fair value through profit or loss		**4,437**	–
Gain on disposal of property, plant and equipment		**174**	112
Impairment losses on trade receivables		**(388)**	(183)
Loss on disposal of subsidiaries		**–**	(44)
Share of loss from an associate		**(421)**	–
Administrative expenses		**(14,655)**	(15,493)
Finance costs	*8*	**(783)**	(979)
Loss before taxation		**(1,881)**	(4,331)
Income tax credit/(expense)	*9*	**280**	(199)
Loss for the year attributable to owners of the Company	*10*	**(1,601)**	(4,530)
Other comprehensive expense:			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation from functional currency to presentation currency		**(337)**	(124)
Items that may be reclassified subsequently to profit or loss:			
Share of exchange difference of an associate		**(18)**	–
Reclassification adjustment relating to foreign operation disposed of		**–**	(2)
Other comprehensive expense for the year, net of income tax		**(355)**	(126)
Total comprehensive expense for the year attributable to owners of the Company		**(1,956)**	(4,656)
		RM	RM (Restated)
Loss per share			
– Basic and diluted loss per share	*13*	**(1.85 sen)**	(5.66 sen)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 RM'000	2019 RM'000
Non-current assets			
Property, plant and equipment	*14*	**15,733**	18,180
Right-of-use assets	*15*	**6,343**	7,758
Interest in an associate	*16*	**3,292**	–
		25,368	25,938
Current assets			
Trade and other receivables	*17*	**18,256**	15,673
Financial assets at fair value through profit or loss	*18*	**5,248**	–
Tax recoverable		**179**	170
Cash and bank balances	*19*	**13,712**	21,265
		37,395	37,108
Current liabilities			
Trade and other payables	*20*	**4,220**	4,238
Contract liabilities	*21*	**398**	485
Bank borrowings and overdrafts	*23*	**1,795**	1,482
Lease liabilities	*24*	**1,324**	1,478
		7,737	7,683
Net current assets		**29,658**	29,425
Total assets less current liabilities		**55,026**	55,363
Non-current liabilities			
Deferred tax liabilities	*22*	**334**	733
Bank borrowings	*23*	**10,154**	11,183
Lease liabilities	*24*	**1,375**	2,505
		11,863	14,421
Net assets		**43,163**	40,942

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2020

	Notes	2020 RM'000	2019 RM'000
Capital and reserves			
Share capital	*25*	**5,230**	4,154
Reserves	*26*	**37,933**	36,788
Total equity		**43,163**	40,942

The consolidated financial statements on page 47 to 111 were approved and authorized for issue by the board of directors on 25 March 2021 and are signed on its behalf by:

Lai Kwok Hei
Director

Tsui Ka Mei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

		Reserves				
	Share capital (note 25) RM'000	Share premium (note 26(i)) RM'000	Merger reserve (note 26(ii)) RM'000	Exchange reserve (note 26(iii)) RM'000	Accumulated losses RM'000	Total equity RM'000
As at 1 January 2019	4,154	29,425	16,972	(222)	(4,731)	45,598
Loss for the year	–	–	–	–	(4,530)	(4,530)
Other comprehensive expense:						
Exchange difference arising on translation from functional currency to presentation currency	–	–	–	(124)	–	(124)
Reclassification adjustment relating to foreign operation disposed of	–	–	–	(2)	–	(2)
Total comprehensive expense for the year	–	–	–	(126)	(4,530)	(4,656)
As at 31 December 2019 and 1 January 2020	4,154	29,425	16,972	(348)	(9,261)	40,942
Loss for the year	–	–	–	–	(1,601)	(1,601)
Other comprehensive expense:						
Exchange difference arising on translation from functional currency to presentation currency	–	–	–	(337)	–	(337)
Share of exchange difference of an associate	–	–	–	(18)	–	(18)
Total comprehensive expense for the year	–	–	–	(355)	(1,601)	(1,956)
Issue of shares in relation to the acquisition of an associate	862	2,673	–	–	–	3,535
Subscription of shares	214	428	–	–	–	642
As at 31 December 2020	5,230	32,526	16,972	(703)	(10,862)	43,163

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 RM'000	2019 RM'000
Cash flows from operating activities		
Loss before taxation	**(1,881)**	(4,331)
Adjustments for:		
Depreciation of property, plant and equipment	**2,638**	2,335
Depreciation of right-of-use assets	**1,541**	1,615
Gain on disposal of property, plant and equipment	**(174)**	(112)
Fair value change on financial assets at fair value through profit or loss	**(4,437)**	–
Loss on disposal of subsidiaries	**–**	44
Impairment losses on trade receivables	**388**	183
Share of loss from an associate	**421**	–
Unrealised gain on foreign exchange	**(69)**	(71)
Interest income	**(258)**	(304)
Finance costs	**783**	979
Operating cash flows before movements in working capital	**(1,048)**	338
(Increase)/decrease in trade and other receivables	**(2,633)**	3,695
Decrease in trade and other payables	**(29)**	(2,634)
(Decrease)/increase in contract liabilities	**(87)**	330
Cash (used in)/generated from operations	**(3,797)**	1,729
Interest paid	**(43)**	(58)
Income tax (paid)/refund	**(128)**	455
Net cash (used in)/generated from operating activities	**(3,968)**	2,126
Cash flows from investing activities		
Purchases of property, plant and equipment	**(117)**	(1,102)
Capital injection to an associate	**(311)**	–
Purchase of equity-linked structure investment	**(1,000)**	–
Interest received	**258**	304
Proceeds from disposal of property, plant and equipment	**211**	208
Net cash inflow from disposal of subsidiaries	**–**	42
Net cash used in investing activities	**(959)**	(548)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2020

	2020 RM'000	2019 RM'000
Cash flows from financing activities		
Repayment of lease liabilities	**(1,682)**	(2,709)
Interest paid on lease liabilities	**(33)**	(53)
Repayment of bank borrowings	**(956)**	(889)
Interest paid on bank borrowings	**(545)**	(665)
Proceed from subscription of shares	**642**	–
Net cash used in financing activities	**(2,574)**	(4,316)
Net decrease in cash and cash equivalents	**(7,501)**	(2,738)
Cash and cash equivalents at beginning of year	**20,707**	23,532
Effect of foreign exchange rate changes	**(292)**	(87)
Cash and cash equivalents at end of year	**12,914**	20,707
Represented by:		
Cash and bank balance	**13,712**	21,265
Bank overdrafts	**(798)**	(558)
	12,914	20,707

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

Worldgate Global Logistics Ltd. (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 shares of the Company are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 6 July 2016.

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 dollar ("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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institution of Certificated Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years 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 2020

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

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

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

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendment to HKFRS 16	COVID-19-Related Rent Concessions	1 June 2020
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020	1 January 2022

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with 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.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

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, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 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.

Profit or loss and each item of other comprehensive income are attributed to owners of the Company.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 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 land is 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.

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” 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.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The estimated useful lives are as follows:

Freehold land	N/A
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 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Leases

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 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. 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.

The Group 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, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

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.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

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 are 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.

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, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable by the Group under residual value guarantees;

– the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and

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

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

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 which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Interest in an associate

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Interest in an associate (Continued)

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3.7 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 recognised 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 (other than financial assets at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

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.

A financial asset is held for trading if:

– it has been acquired principally for the purpose of selling in the near term; or

– on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 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.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income and other net gain" line item.

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 assessment 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, in which case 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(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.

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 30 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

– when there is a breach of financial covenants by the debtor; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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;

(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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(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 and 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. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information. For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

– Past-due status;

– Nature, size and industry of debtors; and

– 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Financial instruments (Continued)

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 and other payables, bank borrowings and overdrafts 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 derecognised and the consideration paid and payable is recognised in profit or loss.

3.8 Revenue from contracts with customers

The Group recognises revenue when a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

– the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

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

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Revenue from contracts with customers (Continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract liability relating to the same contract are accounted for and presented on a net basis.

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.

3.9 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RM) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Borrowing costs

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

3.11 Employee benefits

(i) Short term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

(ii) Retirement benefit obligations

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employers' contributions subject to a cap of monthly relevant income of HK$30,000. The Group's contributions to the scheme are expensed as incurred are vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

(iii) Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognise any related restructuring costs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Taxation

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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, interest in an associate, 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 and interest, 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Taxation (Continued)

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.

3.13 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3.14 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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) Estimated 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) 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 other 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 2020

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(iv) Provision of ECL for trade and other receivables

The Group uses practical expedient in estimating ECL on trade and other receivables. The provision rates are based on ageing of debors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without under 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. Due to greater financial uncertainty triggered by the COVID-19 pandemic could led to increased credit default rates.

(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.

5. REVENUE

(a) Disaggregation of revenue from contracts with customers

	For the year ended 31 December	
	2020	2019
	RM'000	RM'000
Services under freight forwarding and related services segment being transferred overtime:		
Air freight forwarding and related services	**17,267**	18,774
Sea freight forwarding and related services	**26,512**	34,390
Trucking and warehouse and related services	**25,259**	7,064
	69,038	60,228
Goods under trading of used mobile phone segment being transferred at a point in time:		
Sales of used mobile phones	**–**	4,122
Total revenue from contracts with customers	**69,038**	64,350

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

5. REVENUE (Continued)

(b) Performance obligations for contracts with customers

Freight forwarding and related services

The freight forwarding and related services 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 range of credit term granting to customers is 30 to 60 days.

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 range of credit term granting to customers is 30 to 120 days.

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.

(c) 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.

6. OPERATING 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

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 before taxation. The adjusted loss before taxation is measured consistently with the Group's loss before taxation except that loss on disposal of subsidiaries, share of loss from an associate and fair value change on financial assets at FVTPL and corporate expenses are excluded from such measurement.

Segment assets exclude certain of other receivables, cash and bank balances, interest in an associate and financial assets at FVTPL as these assets are managed on a group basis.

Segment liabilities exclude certain of other payables as these liabilities are managed on a group basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

6. OPERATING SEGMENTS (Continued)

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments:

	For the year ended 31 December					
	Freight forwarding and related service		Trading of used mobile phones		Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue from external customers	69,038	60,228	–	4,122	69,038	64,350
Reportable segment (loss)/profit	(3,516)	(1,162)	127	149	(3,389)	(1,013)
Other information:						
Interest income	258	304	–	–	258	304
Finance costs	(783)	(979)	–	–	(783)	(979)
Depreciation of property, plant and equipment	(2,638)	(2,335)	–	–	(2,638)	(2,335)
Depreciation of right-of-use assets	(1,541)	(1,615)	–	–	(1,541)	(1,615)
Gain on disposal of property, plant and equipment	174	112	–	–	174	112
Impairment losses on trade receivables	(388)	(183)	–	–	(388)	(183)
Income tax credit/(expense)	280	(199)	–	–	280	(199)
Reportable segment assets	54,100	55,298	–	2,253	54,100	57,551
Additions to non-current assets:						
– Property, plant and equipment	117	1,102	–	–	117	1,102
– Right-of-use assets	236	615	–	–	236	615
	353	1,717	–	–	353	1,717
Reportable segment liabilities	18,965	21,532	–	103	18,965	21,635

6. OPERATING SEGMENTS (Continued)

(a) Segment revenues and results (Continued)

No inter-segment revenue during the year (2019: nil).

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

	Year ended 31 December	
	2020	2019
	RM'000	RM'000
Profit or loss		
Total loss of reportable segments	**(3,389)**	(1,013)
Unallocated amounts:		
Fair value change on financial assets at FVTPL	**4,437**	–
Loss on disposal of subsidiaries	**–**	(44)
Share of loss from an associate	**(421)**	–
Unallocated corporate expenses	**(2,508)**	(3,274)
Consolidated loss before taxation	**(1,881)**	(4,331)
Assets		
Total assets of reportable segments	**54,100**	57,551
Financial assets at FVTPL	**5,248**	–
Interest in an associate	**3,292**	–
Unallocated corporate assets	**123**	5,495
Consolidated total assets	**62,763**	63,046
Liabilities		
Total liabilities of reportable segments	**18,965**	21,635
Unallocated corporate liabilities	**635**	469
Consolidated total liabilities	**19,600**	22,104

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

6. OPERATING SEGMENTS (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	
	2020	2019	**2020**	2019
	RM'000	RM'000	**RM'000**	RM'000
Malaysia (place of domicile)	**45,243**	56,204	**21,596**	25,194
The People's Republic of China ("PRC"), including Hong Kong	**23,795**	8,146	**480**	744
Total	**69,038**	64,350	**22,076**	25,938

Note: Non-current assets exclude interest in an associate.

(c) Information about major customers

No customer did contribute revenue over 10% of the total revenue of the Group for the respective periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

7. OTHER INCOME AND OTHER NET GAIN

	Year ended 31 December	
	2020	2019
	RM'000	RM'000
Bank interest income	**258**	304
Gain on foreign exchange:		
– realised gain	**168**	149
– unrealised gain	**69**	71
Government subsidy *(note)*	**253**	–
Others	**226**	139
	974	663

Note: During the year ended 31 December 2020, the Group recognised COVID-19-related governments grants of approximately RM253,000 related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

8. FINANCE COSTS

	Year ended 31 December	
	2020	2019
	RM'000	RM'000
Interest expenses on bank overdrafts	**43**	58
Interest expenses on bank borrowings	**545**	665
Interest expenses on lease liabilities	**195**	256
	783	979

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

9. INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December	
	2020	2019
	RM'000	RM'000
Current tax		
– Hong Kong Profits tax	**–**	–
– Malaysia income tax	**–**	161
	–	161
Under provision in prior years:		
– Malaysia income tax	**119**	11
Deferred tax *(note 22)*	**(399)**	27
Income tax (credit)/expense	**(280)**	199

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.

Malaysia income tax is calculated at the statutory rate of 24% (2019: 24%) of the estimated taxable profit for the year. Certain subsidiaries incorporated in Malaysia enjoy tax rate of 17% (2019: 17%) on the first RM500,000 and remaining balance of the estimated taxable profit at tax rate of 24% (2019: 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 nil (2019: RM42,000).

No provision for Hong Kong Profits tax has been made as the Group did not generate assessable profits for the years ended 31 December 2020 and 31 December 2019.

No provision for Malaysia income tax has been made as the Group did not generate assessable profits for the year ended 31 December 2020 (2019: RM161,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

9. INCOME TAX (CREDIT)/EXPENSE (Continued)

Reconciliation between income tax (credit)/expense and accounting loss at applicable tax rates is as follows:

	Year ended 31 December	
	2020	2019
	RM'000	RM'000
Loss before taxation	**(1,881)**	(4,331)
Notional tax on loss before taxation, calculated at the rates applicable to losses in the countries concerned	**(523)**	(789)
Tax effect of tax exemption granted to Malaysia subsidiary	**–**	(42)
Tax effect of non-deductible expenses	**307**	1,059
Tax effect of non-taxable income	**(7)**	(67)
Tax effect of share of result of an associate	**(69)**	–
Tax effect of deductible temporary differences not recognised	**(107)**	27
Under-provision in prior years	**119**	11
Income tax (credit)/expense	**(280)**	199

10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	Year ended 31 December	
	2020	2019
	RM'000	RM'000
Auditor's remuneration	**163**	201
Depreciation of property, plant and equipment	**2,638**	2,335
Depreciation of right-of-use assets	**1,541**	1,615
Gain on disposal of property, plant and equipment	**(174)**	(112)
Loss on disposal of subsidiaries	**–**	44
Impairment losses on trade receivables	**388**	183
Short-term lease payment	**179**	834
Staff costs (including directors' remuneration)		
– Wages, salaries and bonus	**11,115**	12,016
– Short-term non-monetary benefits	**172**	169
– Contribution to defined contribution plans	**1,233**	1,291

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and chief executive officers' emoluments

The remuneration of every director and the chief executive for the year is set out below:

	Fee RM'000	Salaries and other benefits RM'000	Discretionary bonus RM'000	Contributions to defined contribution pension plans RM'000	Total RM'000
Year ended 31 December 2020					
Executive directors:					
Lai Kwok Hei	**269**	**–**	**–**	**10**	**279**
Wen Jianping (ceased on 29 May 2020)	**27**	**–**	**–**	**–**	**27**
Tsui Ka Mei	**281**	**–**	**–**	**7**	**288**
Independent non-executive directors:					
Wong Siu Keung Joe	**108**	**–**	**–**	**–**	**108**
Wong Hoi Yan, Audrey	**98**	**–**	**–**	**–**	**98**
Ma Kin Hung	**98**	**–**	**–**	**–**	**98**
	881	**–**	**–**	**17**	**898**
Year ended 31 December 2019					
Executive directors:					
Lai Kwok Hei (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
Independent non-executive directors:					
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 2020

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(a) Directors' and chief executive's emoluments (Continued)

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 (including any person who at any time during the year was a director) or the director's connected entity a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year (2019: nil).

(b) Five highest paid employees

The five highest-paid employees of the Group during the year included two (2019: two) directors, whose remunerations are reflected in the analysis presented above. The remunerations of remaining three (2019: three) highest paid employees who are neither a director nor chief executive of the Company for the year are set out below:

	Year ended 31 December	
	2020	2019
	RM'000	RM'000
Salaries, allowances and benefits in kind	**1,248**	873
Contributions to defined contribution pension plans	**133**	91
	1,381	964

The number of the highest paid employees who are not the directors whose remuneration fell within the following bands is as below:

	2020 Number of employees	2019 Number of employees
Nil to RM529,000 (equivalent to approximately HK$1,000,000)	**3**	3

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2019: nil).

No remuneration was paid by the Group to the directors or chief executive or any of the five highest paid employees as an inducement to join or upon joining the Group, or compensation for loss of office during the year (2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

12. DIVIDENDS

The board of directors does not recommend payment of any dividend for the year ended 31 December 2020 (2019: nil).

13. LOSS PER SHARE

	Year ended 31 December	
	2020	2019
	RM'000	RM'000
Loss for the year attributable to the owner of the Company	**(1,601)**	(4,530)

Number of shares

	Year ended 31 December	
	2020	2019
		(Restated)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**86,465,753**	80,000,000

No diluted loss per share for both 2020 and 2019 were presented as there were no potential ordinary shares in issue for both 2020 and 2019.

A share consolidation of 10 shares into 1 shares of the Company had been completed on 18 January 2021. The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the years ended 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computers RM'000	Furniture, fixtures and equipment RM'000	Total RM'000
Cost:							
As at 1 January 2019	1,227	10,940	9,680	6,303	2,096	1,636	31,882
Additions	–	–	–	85	834	183	1,102
Disposals	–	–	(295)	–	–	(7)	(302)
Exchange realignment	–	–	–	–	(5)	–	(5)
As at 31 December 2019 and 1 January 2020	1,227	10,940	9,385	6,388	2,925	1,812	32,677
Additions	–	–	–	13	91	13	117
Disposals	–	–	(614)	–	–	(11)	(625)
Transfer from right-of-use assets	–	–	388	–	–	–	388
Exchange realignment	–	–	–	–	(10)	–	(10)
As at 31 December 2020	**1,227**	**10,940**	**9,159**	**6,401**	**3,006**	**1,814**	**32,547**
Accumulated depreciation:							
As at 1 January 2019	–	934	7,311	2,105	1,255	763	12,368
Depreciation	–	199	1,072	592	324	148	2,335
Written back on disposals	–	–	(201)	–	–	(5)	(206)
As at 31 December 2019 and 1 January 2020	–	1,133	8,182	2,697	1,579	906	14,497
Depreciation	–	281	1,077	590	538	152	2,638
Written back on disposals	–	–	(584)	–	–	(4)	(588)
Transfer from right-of-use assets	–	–	278	–	–	–	278
Exchange realignment	–	–	–	–	(11)	–	(11)
As at 31 December 2020	**–**	**1,414**	**8,953**	**3,287**	**2,106**	**1,054**	**16,814**
Carrying amounts:							
As at 31 December 2020	**1,227**	**9,526**	**206**	**3,114**	**900**	**760**	**15,733**
As at 31 December 2019	1,227	9,807	1,203	3,691	1,346	906	18,180

As at 31 December 2020 and 2019, freehold land and buildings included in property, plant and equipment are all situated in Malaysia.

As at 31 December 2020, the Group's freehold land and buildings with carrying amount of RM1,227,000 (2019: RM1,227,000) and RM8,267,000 (2019: RM8,464,000) respectively, were pledged to secure the bank borrowings granted to the Group by licensed banks (note 23).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

15. RIGHT-OF-USE ASSETS

	Ownership interests in leasehold land RM'000	Leasehold properties leased for own use RM'000	Motor vehicles RM'000	Total RM'000
At 31 December 2020				
Carrying amounts	3,773	674	1,896	6,343
At 31 December 2019				
Carrying amounts	3,853	1,106	2,799	7,758
For the year ended 31 December 2020				
Depreciation charge	81	554	906	1,541
For the year ended 31 December 2019				
Depreciation charge	82	533	1,000	1,615

Note: As at 31 December 2020, the Group's certain of ownership interest in leasehold land of approximately RM3,476,000 (2019: RM3,550,000) was pledged to secure the bank borrowings granted to the Group by licensed bank (note 23).

	Year ended 31 December	
	2020 RM'000	2019 RM'000
Expense relating to short-term leases	**179**	834
Total cash outflow for leases (including short term lease)	**1,861**	3,543
Additions to right-of-use assets	**236**	615

The Group is the registered owner of the building stated in note 14, 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.

Ownership interests in leasehold land held for own use, carried at fair value in Malaysia with remaining lease term more than 50 years.

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

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

As at 31 December 2020, the motor vehicles under right-of-use assets with net carrying amounts of approximately RM110,000 was transferred to property, plant and equipment due to the mature of finance lease.

16. INTEREST IN AN ASSOCIATE

	2020 RM'000	2019 RM'000
Cost of investment in an associate *(note (i))*	3,846	–
Share of post-acquisition loss and other comprehensive expense	(439)	–
Exchange adjustments	(115)	–
	3,292	–

Detail of the Group's associate at the end of the reporting period is as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2020	2019	2020	2019	
Grand Moore Capital Limited ("Grand Moore")	Hong Kong	Hong Kong	33%	–	33% *(note (ii))*	–	Engaged in the business of securities dealing, corporate finance advisory services and custodian services

Notes:

(i) The balance included a capital injection of HK$600,000 (equivalent to RM311,000) by cash which is pro-rata to the shareholding in associate.

(ii) The Group has 33% ownership interest and voting rights in Grand Moore. By considering that the Group has no sufficiently dominant voting rights to direct the relevant activities of Grand Moore unilaterally, the directors of the Company conclude that the Group only has significant influence over Grand Moore and therefore it is classified as an associate of the Group.

Summarised financial information of an associate

Summarised financial information in respect of Grand Moore is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

16. INTEREST IN AN ASSOCIATE (Continued)

Summarised financial information of associate (Continued)

Grand Moore Capital Limited

	As at 31 December 2020 RM'000
Current assets	3,879
Non-current assets	1,149
Current liabilities	(566)
Non-current liabilities	–

	Period from 24 August 2020 (date of acquisition) to 31 December 2020 RM'000
Revenue	1,378
Loss for the period	(1,276)
Other comprehensive expense for the period	(54)
Total comprehensive expense for the period	(1,330)

Reconciliation of the above summarised financial information to the carrying amount of the interest an associate recognised in the consolidated financial statements:

	As at 31 December 2020 RM'000
Net assets value	4,462
Proportion of the Group's ownership interest	33%
The Group's share of net assets	1,472
Goodwill	1,820
Carrying amount of the Group's interest	3,292

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

17. TRADE AND OTHER RECEIVABLES

	2020 RM'000	2019 RM'000
Trade receivables arising from contract with customers	**16,821**	14,418
Less: Allowance for credit losses	**(555)**	(183)
	16,266	14,235
Prepayments and deposits	**1,733**	1,076
Other receivables	**257**	362
Total trade and other receivables	**18,256**	15,673

The Group did not hold any collateral as security or other credit enhancements over the trade receivables. The average credit period granted to trade debtors ranging from 30–120 days from the invoice date.

The following is an ageing analysis of the trade receivables, net of allowance for credit losses, presented based on the invoice date is as follows:

	2020 RM'000	2019 RM'000
Within 1 month	**6,141**	7,542
1 to 2 months	**2,499**	3,756
2 to 3 months	**2,472**	867
Over 3 months	**5,154**	2,070
	16,266	14,235

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate gross carrying amounts of approximately RM3,150,000 (2019: RM4,805,000) which are past due at the end of the reporting period. Details of impairment assessment of trade receivables are set out in note 31(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RM'000	2019 RM'000
Financial assets designated at FVTPL:		
12-month equity-linked structured investment *(note (i))*	1,000	–
Call option in relation to the acquisition of an associate *(note (ii))*	4,248	–
	5,248	–

Notes:

(i) The 12-month equity-linked structured investment is a combination of a deposit with an embedded derivative which rate of return is derived from the performance of the underlying asset.

(ii) Pursuant to call option deed dated 24 February 2020 and in consideration of the option premium of HK$1 given by the Group to the grantor, an independent third party, the grantor has conditionally agreed to grant to the Group the call option to, at any time during the call option period, demand and require the grantor to sell to the Group 67% of the issued share capital of Grand Moore held by the grantor at exercise price of HK$23,200,000.

The call option is classified as financial assets at FVTPL. Any fair value change of the call option is recognised in profit or loss. For the year ended 31 December 2020, the fair value change of approximately RM4,437,000 is recognised in profit or loss. The call option period will expire in August 2021.

19. CASH AND BANK BALANCES

Bank balances

Cash and bank balances comprises cash held by the Group and short-term bank deposits with an original maturity within three months.

Bank balances carry interest at market rates which range from 0% to 0.1% (2019: 0% to 0.3%) per annum. Details of impairment assessment of bank balances and time deposits are set out in note 31(b).

As at 31 December 2020, 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 RM10,100,000 (2019: RM21,265,000).

20. TRADE AND OTHER PAYABLES

The ageing analysis of trade payables of the Group based on the invoice date are as follows:

	2020 **RM'000**	2019 RM'000
Trade payables		
Within 1 month	**1,985**	1,761
1 to 2 months	**141**	1,199
2 to 3 months	**81**	203
More than 3 months but less than 12 months	**155**	49
	2,362	3,212
Accruals	**974**	622
Other payables	**728**	404
Amount due to a shareholder *(note)*	**156**	–
Total trade and other payables	**4,220**	4,238

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

Note: The amount due to a shareholder is unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

21. CONTRACT LIABILITIES

	2020 RM'000	2019 RM'000
Freight forwarding and related services	**398**	485

Typical payment term which impacts on the amount of contract liabilities recognised 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.

22. DEFERRED TAX LIABILITIES

	Accelerated tax depreciation
As at 1 January 2019	706
Charged to profit or loss for the year *(note 9)*	27
As at 31 December 2019 and 1 January 2020	733
Credited to profit or loss for the year *(note 9)*	(399)
As at 31 December 2020	334

No deferred tax asset has been provided in the consolidated financial statements as there were no material deductible temporary differences as at 31 December 2020 (2019: Nil).

23. BANK BORROWINGS AND OVERDRAFTS

	2020 RM'000	2019 RM'000
Secured bank borrowings	**11,151**	12,107
Bank overdrafts	**798**	558
	11,949	12,665
Bank borrowings and overdrafts are scheduled to repay as follows:		
– on demand or within one year	**1,795**	1,482
– more than one year, but not exceeding two years	**1,042**	966
– more than two years, but not exceeding five years	**3,416**	3,208
– after five years	**5,696**	7,009
	11,949	12,665
Less: Amounts due within one year shown under current liabilities	**(1,795)**	(1,482)
Amounts shown under non-current liabilities	**10,154**	11,183

Notes:

(i) 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 2020 ranged from 4.01% to 6.67% (2019: 4.5% to 7.1%) per annum.

(ii) As at 31 December 2020, 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 RM10,154,000 (2019: RM11,183,000).

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.

(iii) The bank borrowings and banking facilities as at 31 December 2020 and 2019 were secured by the following:

- Freehold land, building and ownership interest in leasehold land with an aggregate carrying amount of RM12,970,000 (2019: RM13,241,000) as at 31 December 2020 (notes 14 and 15); and
- a corporate guarantee of the Company.

(iv) As at 31 December 2020, the Group has available unutilised overdrafts and bank loan facilities of approximately RM6,875,000 (2019: RM2,470,000).

(v) Bank overdrafts carry interest at market rates which range of 6.67% (2019: 7.67%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

24. LEASE LIABILITIES

	2020 RM'000	2019 RM'000
Within one year	**1,326**	1,478
Within a period of more than one year but not more than two years	**1,125**	1,306
Within a period of more than two years but not exceeding five years	**248**	1,199
	2,699	3,983
Less: Amounts due for settlement within 12 months shown under current liabilities	**(1,324)**	(1,478)
Amounts due for settlement after 12 months shown under non-current liabilities	**1,375**	2,505

The weighted average incremental borrowing rates applied to lease liabilities range from 3.40% to 9.07% (2019: from 3.40% to 8.48%) per annum.

25. SHARE CAPITAL

	Number of Shares	Amount RM'000	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.01 each as at 1 January 2019, 31 December 2019 and 1 January 2020	1,000,000,000	5,383	10,000
As at 31 December 2020	1,000,000,000	5,383	10,000
Issued and fully paid:			
As at 1 January 2019, 31 December 2019 and 1 January 2020	800,000,000	4,154	8,000
Issue of shares in relation to the acquisition of an associate *(note (i))*	160,000,000	862	1,600
Subscription of shares *(note (ii))*	40,000,000	214	400
As at 31 December 2020	1,000,000,000	5,230	10,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

25. SHARE CAPITAL (Continued)

Notes:

(i) On 24 August 2020, the Company completed to acquire 33% equity interest in Grand Moore at a consideration of HK$11,600,000. An aggregate of 160,000,000 shares have been allotted and issued by the Company at the issue price of HK$0.0725 each to settle the consideration.

The fair value of each new ordinary share is HK$0.041 (before share consolidation as describe in note 36(ii)), which is based on the closing price as quoted in the market on 24 August 2020, the date of completion of the acquisition.

(ii) On 23 October 2020, an aggregate of 40,000,000 subscription shares have been allotted and issued by the Company to the subscriber at the subscription price of HK$0.03 per subscription share. The proceeds raised from the subscription are approximately HK$1,200,000.

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.

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.

(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 3.9.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

28. 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 on cash flow in investing activities

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

29. CONTINGENT LIABILITIES

As at 31 December 2020 and 2019, 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 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

30. 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 overdrafts, and lease liabilities. Equity represents total equity of the Group.

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

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

	2020 RM'000	2019 RM'000
Bank borrowings and overdrafts	11,949	12,665
Lease liabilities	2,699	3,983
Total debts	14,648	16,648
Total equity	43,163	40,942
Gearing ratio	34%	41%

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 RM'000	2019 RM'000
Financial assets measured at amortised cost:		
Trade and other receivables	**16,523**	14,597
Cash and bank balances	**13,712**	21,265
	30,235	35,862
Financial asset at FVTPL	**5,248**	–
Total financial assets	**35,483**	35,862
Financial liabilities measured at amortised cost:		
Trade and other payables	**4,220**	4,238
Bank borrowings and overdrafts	**11,949**	12,665
	16,169	16,903

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 2020 and 2019.

(b) Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at trade and other receivables, cash and bank balances, financial asset at FVTPL and trade and other payables and bank borrowings and overdrafts. Details of the financial instruments for the Group are disclosed in respective notes to the consolidated financial statements.

The risks associated with these financial instruments include credit risk, liquidity risk and market risk (foreign currency risk and interest rate risk). The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Market risk

(i) Interest rate risk

The Group's exposure to fair value interest rate risk relates principally to it's bank deposits and bank borrowings and overdrafts. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. The Group has not entered into any financial derivative instruments to hedge its exposure to interest rate risk. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

31. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Interest rate risk (Continued)

The following table details the interest rate profile of the Group's interest-bearing financial instruments:

	2020		2019	
	Weighted average effective interest rate	RM'000	Weighted average effective interest rate	RM'000
Floating rate borrowings	**4.67%**	**11,949**	5.63%	12,665

Sensitivity analysis

At the end of the reporting period, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss before taxation by approximately RM119,000 (2019: RM127,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of each of the relevant periods and had been applied to the exposure to interest rate risk for the interest-bearing 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 next twelve months period.

The interest rate risk policies remain unchanged from prior years.

(ii) Currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2020 RM'000	2019 RM'000
United States dollar ("US$")		
Assets:		
Trade receivables	**1,001**	1,913
Cash and bank balance	**3,307**	3,154
	4,308	5,067
Liabilities:		
Trade payables	**(620)**	(609)
	3,688	4,458

31. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Currency risk (Continued)

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 US$. 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 2020 and 2019, the Group had no foreign currency forward contracts to mitigate the risk on foreign currency fluctuation against RM.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in RM against the US$. A positive number below indicates an increase in post-tax profit where RM strengthen 5% (2019: 5%) against the US$. For a 5% (2019: 5%) weakening of RM against the US$, there would be an equal and opposite impact on the profit and other comprehensive income and the amounts below would be negative.

	US$ impact	
	2020	2019
	RM'000	RM'000
Profit or loss	**184**	223

Liquidity risk

The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

31. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturities for its financial liabilities as at the reporting date. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. The maturity dates for other financial liabilities are based on agreed repayment dates.

	On demand or less than 1 month RM'000	More than 1 year but less than 5 years RM'000	More than 5 years RM'000	Total undiscounted cash flows RM'000	Carrying amount RM'000
As at 31 December 2020					
Trade and other payables	**4,220**	**–**	**–**	**4,220**	**4,220**
Bank borrowings and overdrafts	**1,482**	**5,927**	**6,327**	**13,736**	**11,949**
Lease liabilities	**1,499**	**1,473**	**–**	**2,972**	**2,699**
Total	**7,201**	**7,400**	**6,327**	**20,928**	**18,868**
As at 31 December 2019					
Trade and other payables	4,238	–	–	4,238	4,238
Bank borrowings and overdrafts	2,125	6,218	8,191	16,534	12,665
Lease liabilities	1,665	2,655	–	4,320	3,983
Total	8,028	8,873	8,191	25,092	20,886

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk is primarily attributable to trade and other receivables, and bank balances. The Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

31. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables

The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on debtors by using a provision matrix, grouped based on shared credit risk characteristics by reference to past default experience and current past due exposure of the debtors.

In respect of trade 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 120 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.

As part of the Group's credit risk management, for debtors that are assessed collectively, the Group uses debtors' past due status to assess the impairment for its customers because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The following table provides information about the Group's exposure to credit risk for trade receivables which are assessed collectively based on provision matrix:

	Average loss rate		Gross carrying amounts RM'000		Loss allowance RM'000	
	2020	2019	**2020**	2019	**2020**	2019
Current (not past due)	**2.94%**	0.52%	**13,513**	9,479	**397**	49
1–30 days past due	**3.95%**	1.99%	**1,647**	2,816	**65**	56
31–90 days past due	**4.7%**	6.04%	**585**	596	**27**	36
Over 90 days past due	**6.16%**	2.75%	**1,076**	1,527	**66**	42
			16,821	14,418	**555**	183

The expected loss rate are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

31. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach:

	Lifetime ECL (not credit-impaired) RM'000
As at 1 January 2019	–
Impairment loss recognised	183
As at 31 December 2019 and 1 January 2020	183
Impairment loss recognised	388
Exchange realignment	(16)
As at 31 December 2020	**555**

Concentration of credit risk

At the end of the reporting period, the Group has a certain concentration of credit risk as 10% (2019: 8%) of the total trade receivables was due from the Group's largest customer.

Other receivables and deposit

The Group uses past due information to assess whether credit risk has increased significantly since initial recognition. Based on the historical default rate, repayment history and forecast of future condition on economy and debtors, the directors considered the ECL for other receivables and deposit is insignificant for the years ended 31 December 2020 and 2019.

Cash and cash equivalent

The Group deposited bank balances with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's right with respect to bank balances held to be delayed or limited. The directors monitor the credit rating of these banks on an ongoing basis, and consider that the Group's exposure to credit risk as at 31 December 2020 and 2019 were minimal.

31. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

The Group's financial instruments are measured at fair value for financial reporting purposes.

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.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Fair value hierarchy as at 31 December 2020

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets at FVTPL				
12-month equity-linked structured investment	–	1,000	–	1,000
Call option in relation to the acquisition of an associate	–	–	4,248	4,248
	–	1,000	4,248	5,248

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

31. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair value as at 31 December 2020	Fair value as at 31 December 2019	Fair value hierarchy	Valuation technique(s) and key input(s)
12-month equity-linked structured investment	**RM1,000,000**	Nil	Level 2	Fair value and future cash flows are estimated based on the market share price of the embedded derivative of the underlying reference asset. The market share price of the underlying reference asset is observable from the stock market.
Call option in relation to the acquisition of an associate	**RM4,248,000**	Nil	Level 3	The fair value of the call option is measured by using Black Scholes Formula with the key input which include volatilities of 96.8% and risk-free rate of 0.08%.

(ii) Reconciliation of Level 3 fair value measurements

	RM'000
As at 1 January 2020	–
Total gains:	
– in profit or loss	4,437
Exchange alignment	(189)
As at 31 December 2020	4,248

There was no transfer between level 1, 2 and 3 during the year.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, 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 23)* RM'000	Lease liabilities *(note 24)* RM'000	Total RM'000
As at 1 January 2019	12,996	5,874	18,870
Repayment of bank borrowings	(889)	–	(889)
Interest paid on bank borrowings	(665)	–	(665)
Repayment of lease liabilities	–	(2,709)	(2,709)
Interest paid on lease liabilities	–	(53)	(53)
Total changes from financing cash flows	11,442	3,112	14,554
Other changes:			
Addition to lease liabilities	–	615	615
Interest expense on bank borrowings	665	–	665
Interest expense on lease liabilities	–	256	256
Total other changes	665	871	1,536
As at 31 December 2019 and 1 January 2020	12,107	3,983	16,090
Repayment of bank borrowings	(956)	–	(956)
Interest paid on bank borrowings	(545)	–	(545)
Repayment of lease liabilities	–	(1,682)	(1,682)
Interest paid on lease liabilities	–	(33)	(33)
Total changes from financing cash flows	10,606	2,268	12,874
Other changes:			
Addition to lease liabilities	–	236	236
Interest expense on bank borrowings	545	–	545
Interest expense on lease liabilities	–	195	195
Total other changes	545	431	976
As at 31 December 2020	**11,151**	**2,699**	**13,850**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

33. RELATED PARTIES TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following material transactions with related parties:

Compensation of key management personnel

Compensation of key management personnel of the Group, including directors' remuneration as disclosed in note 11(a), is as follows:

	2020 RM'000	2019 RM'000
Directors' fees	881	1,365
Salaries, allowances and benefits in kind	783	2,173
Contributions to defined contribution pension plans	101	188
	1,765	3,726

34. PARTICULARS OF SUBSIDIARIES

(a) General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Place of incorporation/ registration	Place of operation	Paid up issued/ registered capital	Proportion of ownership interest and voting power held by the Company — Directly 2020 %	Directly 2019 %	Indirectly 2020 %	Indirectly 2019 %	Principal activities
Worldgate International Investment Limited	British Virgin Islands ("BVI")	Hong Kong	US$100	100	100	–	–	Investment holding
Pacific Express Limited	BVI	Hong Kong	US$1,000	–	–	100	100	Investment holding
Worldgate Express Services Sdn. Bhd.	Malaysia	Malaysia	RM5,000,000	–	–	100	100	Freight forwarder and warehouse management service
My Forwarder International Sdn. Bhd.	Malaysia	Malaysia	RM1,000,000	–	–	100	100	Freight forwarder
Freight Transport Network Sdn. Bhd.	Malaysia	Malaysia	RM1,000,000	–	–	100	100	Freight forwarder
Worldgate Haulage Services Sdn. Bhd	Malaysia	Malaysia	RM5,000,000	–	–	100	100	Provision of trucking and haulage services
Dominant Apex Limited	Hong Kong	Hong Kong	HK$1	–	–	100	100	Trading of used mobile phones and provision of logistic service

All the above subsidiaries are limited liability companies.

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 2020

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	2020 RM'000	2019 RM'000
Non-current assets		
Investment in subsidiaries	**23,988**	23,988
Current assets		
Prepayments, deposits and other receivables	**119**	122
Amounts due from subsidiaries	**11,835**	11,250
Cash and bank balances	**18**	5,237
	11,972	16,609
Current liabilities		
Accruals and other payables	**606**	414
Bank overdraft	**42**	–
	648	414
Net current assets	**11,324**	16,195
Net assets	**35,312**	40,183
Capital and reserves		
Share capital	**5,230**	4,154
Reserves	**30,082**	36,029
Total equity	**35,312**	40,183

The Company's statement of financial position was approved and authorised for issue by the board of directors on 25 March 2021.

Lai Kwok Hei	**Tsui Ka Mei**
Director	*Director*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

(b) Movement in the Company's reserves

	Share premium RM'000	Exchange reserve RM'000	Other reserve RM'000	Accumulated losses RM'000	Total RM'000
As at 1 January 2019	29,425	875	32,384	(21,368)	41,316
Loss for the year	–	–	–	(5,108)	(5,108)
Other comprehensive expense	–	(179)	–	–	(179)
Total comprehensive expense for the year	–	(179)	–	(5,108)	(5,287)
As at 31 December 2019 and 1 January 2020	29,425	696	32,384	(26,476)	36,029
Loss for the year	–	–	–	(9,082)	(9,082)
Other comprehensive expense	–	34	–	–	34
Total comprehensive expense for the year	–	34	–	(9,082)	(9,048)
Issue of shares in relation to the acquisition of an associate	2,673	–	–	–	2,673
Subscription of shares	428	–	–	–	428
As at 31 December 2020	**32,526**	**730**	**32,384**	**(35,558)**	**30,082**

(c) Distribution reserves

As at 31 December 2020, the Company's reserves available for distribution to shareholders amounted to approximately RM29,352,000 (2019: RM35,333,000). This includes the Company's share premium approximately RM32,526,000 (2019: RM29,425,000) and other reserve of approximately RM32,384,000 (2019: RM32,384,000), less accumulated losses of approximately RM35,558,000 (2019: RM26,476,000) which are available for distribution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

36. EVENT AFTER THE END OF THE REPORTING PERIOD

(i) Acquisition of a subsidiary

At 17 November 2020, the Group has entered into a sale and purchase agreement with an independent third party for an acquisition of 51% of the issued share capital of China Elegant Limited ("China Elegant") at a consideration of HK$6,600,000 which will be satisfied by share of the Company. At 28 January 2021, the acquisition was completed. An aggregate of 200,000,000 shares (equivalent to 20,000,000 consolidated shares assuming that the share consolidation has become effective) have been allotted and issued by the Company at the issue price of HK$0.33 each for the settlement of the consideration. The directors are in the progress of assessing the financial impact of the acquisition of China Elegant.

(ii) Share consolidation

A share consolidation of 10 shares into 1 share at the Company had been completed on 18 January 2021. After the share consolidated become effective, the authorised share capital of the Company become HK$10,000,000 divided into 100,000,000 consolidated shares of HK$0.1 each, of which 100,000,000 consolidated shares will be in issue, which are fully paid or credited as fully paid.

(iii) Increase in authorised share capital

In order to undertake the acquisition mentioned in (i), the Company required to issue an aggregate of 200,000,000 consideration shares (equivalent to 20,000,000 consolidated shares assuming the share consolidation has become effective). The Board proposes to increase the Company's authorised share capital from HK$10,000,000 divided into 1,000,000,000 shares (equivalent to 100,000,000 consolidated shares assuming the share consolidation has become effective) to HK$100,000,000 divided into 10,000,000,000 Shares (equivalent to 1,000,000,000 consolidated shares assuming the share consolidation has become effective) by the creation of an additional 9,000,000,000 shares (equivalent to 900,000,000 consolidated shares assuming the share consolidation has become effective). At 18 January 2021, the increase in authorised share capital has become effective.

(iv) Subscription of shares

On 26 February 2021, the Group and the placing agent entered into the placing agreement pursuant to which the Company appointed the placing agent to place, subject to the fulfillment of the condition precedent to the placing, a maximum of 12,000,000 placing shares to not less than six independent placees at a price of HK$0.17 per placing share. The placing was completed on 16 March 2021.

The net proceeds from the placing, after deducting the placing commission payable to the placing agent and other expenses incurred in the placing, are approximately HK$1,900,000. The Company intends to apply all the net proceeds for general working capital of the Group.

37. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2020, the Group entered into new arrangements in respect of office premises. Right-of-use assets and lease liabilities of approximately RM236,000 were recognised at the commencement of the leases.

The consideration for the acquisition of an associate that occurred during the year are settled by the shares of the Company. Further details of the issue of share are set out in note 25.

38. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to be consistent with the current period presentation.

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 is set out below.

RESULTS

	For the year ended 31 December				
	2016	2017	2018	2019	**2020**
	RM'000	RM'000	RM'000	RM'000	**RM'000**
Revenue	107,077	96,442	74,278	64,350	**69,038**
Cost of sales	(89,075)	(81,387)	(62,060)	(52,757)	**(60,257)**
Gross profit	18,002	15,055	12,218	11,593	**8,781**
Other income and net gains	1,106	422	820	663	**974**
Administrative and other expenses	(19,196)	(16,028)	(15,407)	(15,564)	**(10,432)**
Share of loss from an associate	–	–	–	–	**(421)**
Loss on disposal of subsidiaries	–	–	–	(44)	**–**
Finance costs	(1,236)	(1,033)	(966)	(979)	**(783)**
Loss before taxation	(1,324)	(1,584)	(3,335)	(4,331)	**(1,881)**
Income tax (expense)/credit	1,317	(577)	(563)	(199)	**280**
Loss for the year	(7)	(2,161)	(3,898)	(4,530)	**(1,601)**
Attributable to:					
Owners of the Company	(7)	(2,161)	(3,898)	(4,530)	**(1,601)**

ASSETS AND LIABILITIES

	As at 31 December				
	2016	2017	2018	2019	**2020**
	RM'000	RM'000	RM'000	RM'000	**RM'000**
Total assets	94,232	82,879	69,147	63,046	**62,763**
Total liabilities	(40,606)	(33,725)	(23,549)	(22,104)	**(19,600)**
Total equity	53,626	49,154	45,598	40,942	**43,163**