

## SUMMARY

*This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the [REDACTED].*

*There are risks associated with investment in companies listed on GEM. Some of the particular risks in investing in the [REDACTED] are set out in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to invest in the [REDACTED].*

### 1. BUSINESS OVERVIEW

The Group is a well-established integrated logistics solution provider founded in Malaysia with over 15 years of history. It principally provides comprehensive international freight services, transportation services as well as warehousing services to customers worldwide. The Group’s services can be presented as follows:

	<u>Year ended 31 December 2014</u>		<u>Year ended 31 December 2015</u>	
	<u>RM’000</u>	<u>%</u>	<u>RM’000</u>	<u>%</u>
1. Comprehensive international freight services <sup>(1)</sup>				
— air freight services	27,101	44.9	47,243	56.9
— sea freight services	30,931	51.2	32,744	39.4
2. Transportation services <sup>(2)</sup>	1,998	3.3	2,748	3.3
3. Warehousing services <sup>(3)</sup>	<u>345</u>	<u>0.6</u>	<u>309</u>	<u>0.4</u>
Total	<u>60,375</u>	<u>100</u>	<u>83,044</u>	<u>100</u>

*Notes:*

- (1) Comprehensive international freight services include (a) import and export international freight services by air and sea, arranging customs clearance, preparation of freight documentation and cargo handling at ports; and (b) transportations (trucking, haulage and value-added services) and (c) warehousing services which support the comprehensive international freight services.
- (2) The amounts represented the standalone trucking services which did not form part of the comprehensive international freight services. The revenue from supporting transportation services was included in comprehensive international freight services in Note 1 above. The transportation services include general trucking, bonded trucking, haulage services and value-added services such as tracking and tracing of cargo.
- (3) The amounts represented the standalone warehousing services which did not form part of the comprehensive freight services. The revenue from supporting warehousing services was included in comprehensive international freight services in Note 1 above. The warehousing services include general warehousing and warehousing services in free commercial zone to customers.

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### 2. COMPETITIVE ADVANTAGES

The Directors believe that the Group’s key competitive advantages are:

- the ability to provide a wide range of services to fulfill various logistics needs of its customers
- building up a reputation of quality and reliable services in the industry
- extensive experience and in-depth industry knowledge of the management team
- people-oriented management culture and emphasis on professionalism
- diversified customer base
- close working relationships with its suppliers
- ISO certified

### 3. SERVICES AND OPERATION

The Group’s mission statement of “Service with Security” emphasises the Group’s focus on helping customers to manage their cargo in a secure manner, so as to minimise the risk of theft and loss. The Group’s management team members have equipped themselves with risk management knowledge by having attended risk management training, including understanding ISO 9001:2000 quality management system. The Group has also formulated and implemented security policies and procedures as well as setting up a security task force headed by Mr. Chin to ensure compliance of such policies and procedures. Moreover, the Group will strive to provide customers with viable options on better and more cost effective means to transport their cargo.

#### **Comprehensive International freight services:**

Over 95% of the Group’s turnover during the Track Record Period was attributable to comprehensive international freight services which include air freight services and sea freight services. The Group cooperates with overseas freight forwarders in order to carry out comprehensive services to fulfill customers’ demand. In general, logistics services in Malaysia will be carried out by the Group and the overseas portion of the logistics services will be carried out by overseas freight forwarders. For exports from Malaysia, the Group offers picking up of cargo from shippers in Malaysia and delivery to airports/seaports, customs clearance, various documentation and handling of cargo in the ports and cargo submission to the liner/carrier in Malaysia. For import into Malaysia, the Group is responsible for customs clearance in the ports in Malaysia, collection of cargo from the terminals, documentation and delivery of cargo to consignee in Malaysia.

#### **Transportation services**

To support its comprehensive international freight business, the Group offers transportation services, comprising transportation of cargo from warehouses or designated locations to ports and vice versa. As at 31 December 2015, the Group owns a fleet of 25

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dedicated trucks, 10 prime movers and 69 trailers to support transportation of containers and loose cargo. The vehicles are of various sizes and tonnages to support its trucking and haulage activities. Trucks are fitted with GPS tracking system, immobilisers (to immobilise the engine), and panic buttons for drivers in case of hijacking. The Directors believe that risk management is becoming more important, particularly with high value cargo like laptops and sensitive cargos like passports. The Group also provides security escort services especially for transportation of high-value cargo that is prone to hijacking.

### **Warehousing services**

The Group offers warehousing services to its customers as part of the integrated logistics solutions services over three locations in Kuala Lumpur International Airport, Penang Airport, and Port Klang (located near the two sea ports (west port and north port) in Port Klang). During the Track Record Period, the warehousing services provided in Port Klang mainly provided the general warehousing services. The warehousing services provided in the free commercial zone mainly serve as temporary storage places for goods waiting for export or transport to consignees in Malaysia.

## **4. FREIGHT FORWARDING NETWORKS**

To support the comprehensive international freight services, the Group joined six global freight forwarding networks. The members of the networks are freight forwarders from more than 186 countries which cover developed countries in US, Europe, Australia, Asia as well as Africa, Latin America and Middle East. As at 31 December 2015, the number of network members total more than 6,000.

By joining the networks, (i) the Group has access to quality overseas freight forwarders whom the Group can cooperate with to carry out logistics services overseas; (ii) these overseas freight forwarders can refer new businesses to the Group should their customers demand logistics services in Malaysia. In this regard, the overseas freight forwarders can, in certain circumstances, serve both as suppliers and customers of the Group.

There are increasing businesses obtained from the leads provided through international sea/air freight businesses conducted hand-in-hand with overseas freight forwarders. Therefore, senior management of the Group will from time to time attend meetings organised by the six networks. During the Track Record Period, the Group actively participated in network meetings in Madrid, Mauritius, Phuket, Japan, Guangzhou, Shanghai and Hong Kong organised by different networks.

## **5. APPOINTED REGIONAL SERVICE PROVIDER OF COMPANY F**

Company F is an international freight forwarding service provider and a group member of a company listed on the New York Stock Exchange. Company F appointed Worldgate Express as a non-exclusive regional service provider in Malaysia effective from 1 January 2010. From 1 January 2010 and up to the Latest Practicable Date, Company F has had no other regional service provider in Malaysia. Company F engaged the Group to provide logistics services to its customers in Malaysia. The Group also engaged Company F to provide logistics services in countries outside of Malaysia.

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During the Track Record Period, Company F had become the Group’s largest customer and second largest supplier. Company F accounted for (i) approximately 18.9% and 32.0% of the Group’s revenue for the years ended 31 December 2014 and 2015, respectively; and (ii) approximately 8.6% and 11.2% of the Group’s total cost of sales for the years ended 31 December 2014 and 2015, respectively.

The Directors believe that the stable relationship with Company F is mainly due to the Group’s reputation in the freight forwarding industry, its range of services offered, its knowledge and experience in the Malaysian logistics industry, its ability to meet their stringent requirements as well as its service quality.

The Directors believe that the experience gained in working with Company F will enable the Group to obtain a deeper understanding of the requirements and quality standards of its multinational customers, and will help the Group to improve its service quality offered to other customers. Further, the Directors also believe that the working relationship with Company F is testament to its high service standards, which in turn can attract more customers.

### 6. CUSTOMERS

The Group’s customers comprise direct customers and overseas freight forwarders. The Group works closely with customers to develop logistics solutions that meet their unique requirements.

For each of the two years ended 31 December 2014 and 2015, the Group’s five largest customers accounted for approximately 44.1% and 52.9% of its revenue, respectively. The Group prices its services on a cost-plus basis, and takes into account various factors such as the types of services provided, cost of cargo spaces and fees of third party service providers.

### 7. CUSTOMER SERVICES

The Group recognises that good customer service is integral to its reputation in the logistics industry and to customer loyalty. Upon receiving enquiry for the Group’s services, the sales department will discuss with the potential customers to understand their service requirements. The Group endeavours to work out the optimal way to support the customers with the aim to establishing long-term relationships with them. In order to evaluate potential customers and to comply with internal control risk management process, the Group also places emphasis on carrying out background checks on potential customers. The customer service department works together with the sales department to monitor bookings and update the customers on their shipment.

### 8. SUPPLIERS

The Group’s suppliers are mainly suppliers of cargo space, suppliers of overseas freight and logistics services and subcontractors such as local ground transportation, and other logistics services providers.

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For the years ended 31 December 2014 and 2015, the Group’s top five suppliers were suppliers of cargo space and overseas freight forwarders, with total purchases from these top five suppliers accounting for approximately 33.5% and 46.9% of total cost of sales, respectively. For the same periods, the Group’s largest supplier accounted for approximately 13.0% and 25.9% of total cost of sales, respectively.

## 9. AWARDS AND CERTIFICATIONS

The following table sets out some of the Group’s major awards and certificates obtained during the Track Record Period:

<u>Year(s) of certification/award</u>	<u>Certification/award</u>	<u>Awarding organisation or authority</u>
2015	ISO 9001:2008 (UKAS, DSM) in provision of air freight, sea freight, trucking and warehousing (logistics) services	Bureau Veritas Certification Holding SAS
2015	ASEAN Transport and Logistics Award	Centre for ASEAN Logistics Studies
2015	Top 10 GFP Partner	GFP Global Forwarding Partners Inc
2014	The BrandLaureate Signature Brand Award — Services Logistic Solutions	Asia Pacific Brands Foundation

## 10. MARKET INFORMATION

According to EMI, the logistics industry in Malaysia is fragmented and competitive. In 2014, total revenue of the logistics industry in Malaysia amounted to approximately RM30 billion. Industry players have estimated that in 2014, there were approximately 10,000 logistics and/or freight forwarding establishments, of which only some 2,000 hold customs broker licences (and just over half this number is affiliated to the Federation of Malaysia Freight Forwarders). While several local firms have reported sizable market returns, the industry continues to be dominated by multinational firms who have a competitive advantage in economies of scale and wider geographical footprint.

The Group has been appointed as regional service provider to one of the leading logistics service providers, Company F, since 2010. Leveraging on Company F’s network and its own experience in providing logistics services, the Directors believe that the Group is able to continue to grow in the competitive logistics industry in Malaysia.

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### 11. SUMMARY OF FINANCIAL INFORMATION

#### Selected items in combined statement of comprehensive income

	Year ended 31 December	
	2014	2015
	RM'000	RM'000
Revenue	60,375	83,044
Gross Profit	13,386	20,813
Profit before tax	5,751	10,092
Profit for the year	3,875	6,969

#### Selected items in combined statement of financial position

	Year ended 31 December	
	2014	2015
	RM'000	RM'000
Non-current asset	22,279	25,520
Current asset	21,521	42,943
Current liability	10,628	18,778
Net current assets	10,893	24,165
Non-current liabilities	16,663	19,380
Net assets	16,509	30,305

#### Key Financial Ratios

	Year ended 31 December	
	2014	2015
Revenue growth	—	37.5%
Net profit growth	—	79.8%
Gross profit margin	22.2%	25.1%
Net profit margin	6.4%	8.4%
Current ratio	2.0	2.3
Gearing ratio	115.7%	69.7%

During the Track Record Period, the Penang branch had become the Group's growth engine. The Group's revenue generated from Penang branch is more than doubled in 2015 as compared to 2014. So far as the Directors are aware, an increasing number of companies are setting up manufacturing plants in Penang. Demand for logistics services increased from these newly established plants to import raw materials and export finished goods. Leveraging on the Group's expertise in logistics services in Malaysia and the support of the freight forwarding networks, the

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Group successfully attracted new customers which generated recurring business for the Group. Further, the revenue from Company F also increased substantially from approximately RM11.4 million in 2014 to RM26.6 million in 2015.

The increase in the Group’s gross profit margin and net profit margin was mainly due to the fact that the Group managed to obtain better freight rates from its suppliers because of the increase in shipment volume and improved efficiency in its transportation business. During the Track Record Period, the Group substantially expanded its transportation fleet in order to reduce reliance on subcontractors for local trucking and haulage services. More transportation services were provided by the Group’s own transportation fleet resulting in improved cost efficiency.

Given the increase in revenue and profit margins, the Group achieved high net profit growth of approximately 79.8% from approximately RM3.9 million in 2014 to RM7.0 million in 2015.

The Directors consider that both current ratio and gearing ratio were maintained at a healthy level during the Track Record Period. The Directors believe in managing its business in a prudent way which is in line with their business philosophies “Success with Prudence”.

## 12. RECENT DEVELOPMENT

As far as the Directors are aware, the logistics industry in Malaysia remains relatively stable after the Track Record Period. As at the Latest Practicable Date, there has been no material adverse change in the general economic and market conditions in the logistics industry in Malaysia that has affected or would affect the Group’s business operations or financial condition materially and adversely.

Based on the unaudited financial information, the Group’s unaudited turnover for the two months ended 29 February 2016 was higher than that of the two months ended 28 February 2015. Increase in demand for logistics services from some of the Group’s multinational customers was due to reasons such as expansion of production lines in Malaysia.

To maintain the Group’s commitment to attract young talents to join the Group and reinforce the Group’s philosophy on talent creation, the Group participated in the “UCSI Campus Job Fair” in conjunction with UCSI University in March 2016. Since January 2016 and as at the Latest Practicable Date, the Group has retained seven new interns in the Penang branch and four new interns in the Group’s headquarter. The Group also hired a new legal and compliance executive to enhance the Group’s best practices and corporate governance and a new sales personnel to promote the Group’s business in Malacca and the southern region of Malaysia.

In February 2016, the Group received a new award “SMEs Best Brands Award in Logistics — Brand of the Year 2015/2016” from The Brand Laureate. In March 2016, the Group’s own warehouse in Port Klang with an approximate total area of 6,366 sq.m. was set up for operations. The Group has obtained the certificate of membership from TAPA (Transported Asset Protection Association) as a registered Corporate Lite Member of TAPA Asia Pacific from 1 January 2016 to 31 December 2016, which required applicants to pass a detailed independent physical premises audit to ensure compliance with numerous Facility Security Requirements (FSRs).



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### 13. BUSINESS STRATEGIES, FUTURE PLANS AND USE OF [REDACTED]

The Group aims to strengthen its position as an integrated logistics solution service provider in Malaysia. The Group’s business strategies, future plans and use of [REDACTED] are summarised in the following table:

	Approximate amount of [REDACTED] to be used HK\$’ million	Approximate percentage of [REDACTED] to be used %
1. Further expand its business in major gateways of Malaysia	[REDACTED]	[REDACTED]
— expansion of Malacca and Johor branches		
— establish branch office in Padang Besar, Perlis, Malaysia (Thailand border)		
— purchase warehouse in Penang		
2. Expand the scope of services to cover cross border trucking, haulage and rail freight	[REDACTED]	[REDACTED]
— expand into rail freight business		
— purchase warehouse in Padang Besar to support cross border trucking and haulage business		
3. Further strengthen the information technology systems	[REDACTED]	[REDACTED]
— introduction of freight management software system ( <i>Freight Management 3000</i> ) to integrate accounting/finance, sales, and all operating activities, including warehouse management system, truck management system, freight management system		
— upgrading systems with new hardware, softwares, antivirus, and functions		
4. Attract and retain talented and experienced employees	[REDACTED]	[REDACTED]
— Organise employee development and training programmes, compensation and benefits enhancement programmes, and career events		
5. Grow the business strategically through business acquisitions or business collaboration	[REDACTED]	[REDACTED]
— Acquire freight forwarding business in South East Asia countries such as Thailand, Indonesia, Singapore, etc.		
6. Repayment of bank loans	[REDACTED]	[REDACTED]
7. Working Capital	[REDACTED]	[REDACTED]
Total:	<u>[REDACTED]</u>	<u>[REDACTED]</u>



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### 14. FUTURE PROSPECTS

The Directors believe that the formation of AEC on 31 December 2015 will bring great business opportunities to the Group. AEC aims to integrate Southeast Asia’s diverse economies into a single market and transform the ASEAN economy into a region with free movement of goods, services, investment, skilled labour and freer flow of capital. The Malaysian Government has committed to develop and upgrade its infrastructure providing huge opportunities for logistics providers and freight forwarders in Malaysia.

As stated in EMI report, the new development of an electrified double-track rail for rail freight transport is expected to bring about an increase in cargo capacity to 20 million tonnes by the year 2035 as compared to the 5 million tonnes on average presently. The report also stated that the industry will be positively impacted as the Malaysian government plans to enhance road freight transport productivity, establish freight hubs at strategic locations, improve domestic connectivity to its major ports, and improve domestic connectivity from key airports to Kuala Lumpur International Airport. Further, it is expected that the Malaysian government will be looking to improve trade facilitation mechanisms such as cargo clearance systems, paperless trading and security trade documents.

The Directors believe that the plans of opening up the border, improving infrastructures and simplification of the cargo clearance systems will shorten the transportation time, custom clearance time and reduce costs, which creates tremendous growth potential for the Group’s logistics business in Malaysia and cross border business.

### 15. SHAREHOLDERS INFORMATION

#### The Controlling Shareholders

Immediately after completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares that may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme), RLDC Investment (which is wholly-owned by Mr Lee and Mr Chin in equal portion) will hold [REDACTED] Shares, representing [REDACTED] of the total issued share capital of the Company assuming the [REDACTED] is not exercised. None of RLDC Investment, Mr Lee, Mr Chin and their respective associates is engaged in any business which competes with the Group nor are there any connected transactions between any of them and the Group.

#### [REDACTED]

On 28 October 2015, Worldgate International entered into a [REDACTED] with each of Upright Plan and Champion Ascent, pursuant to which each of Upright Plan and Champion Ascent agreed to subscribe and Worldgate International agreed to allot and issue 13 shares of Worldgate International, representing 13% of the enlarged issued shares of Worldgate International, to each of Upright Plan and Champion Ascent for a total cash consideration of HK\$9,000,000 from each of Upright Plan and Champion Ascent.

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To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, (i) Upright Plan is wholly and beneficially owned by Mr. Gan. Upright Plan and Mr. Gan is independent of and not connected with the Group and/or any connected person(s) of the Company; and (ii) Champion Ascent is beneficially owned by Mr. Gan as to 40% and Mr. Chang as to 60%. Champion Ascent and Mr. Chang is independent of and not connected with the Group and/or any connected person(s) of the Company.

### 16. ESTIMATED [REDACTED]

It is expected that the total [REDACTED], which are non-recurring in nature, will amount to approximately RM[REDACTED] million, of which approximately RM[REDACTED] million is directly attributable to the issue of [REDACTED] in the [REDACTED] and to be accounted for as a deduction from equity upon completion of [REDACTED] in the year ending 31 December 2016. Approximately RM[1.4] million has been recognised and charged to the combined statement of comprehensive income during the financial year ended 31 December 2015. The remaining estimated [REDACTED] of approximately RM[REDACTED] million will be charged to the combined statement of comprehensive income upon [REDACTED].

Accordingly, the financial results of the Group for the year ending 31 December 2016 are expected to be materially affected by the estimated expenses in relation to the [REDACTED]. The Directors would like to emphasise that such cost is a current estimate for reference only and the final amount to be recognised in the combined statement of comprehensive income of the Group for the year ending 31 December 2016 is subject to adjustment based on audit and the then changes in variables and assumptions.

[REDACTED]