You should read the following discussion and analysis together with the audited combined financial statements of the Group and the notes thereto as of and for the two years ended 31 December 2015, included in the Accountant's Report set out in Appendix I to this document. The Accountant's Report has been prepared in accordance with Hong Kong Financial Reporting Standards.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by the Directors in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors they believe are appropriate under the circumstances. The Group's business and financial performance are subject to substantial risks and uncertainties and its future results could differ materially from those set forth in the forward-looking statements herein due to a variety of factors including those set forth in the section headed "Risk Factors" in this document

Any discrepancies in any table or elsewhere in this document between totals and sums of amounts listed herein are due to rounding.

1. OVERVIEW

The Group is a well-established integrated logistics solution provider in Malaysia principally provides international freight forwarding and logistics services, with a primary focus on comprehensive international freight services, transportation and warehousing to customers worldwide. The Directors consider that the Group's business is built on a customer-oriented culture, and focus on establishing relationships with reputable customers by providing quality, reliable and timely logistics services. With its track record in the logistics industry, the Group has established a sizeable customer base comprising of customers from various industries, including electrical and electronics products, automotive, oil and gas, heavy equipment, medical equipment, food supplements, telecommunications, furniture, consumer-related products and general cargo.

2. BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 February 2016 under the Companies Law. The companies now comprising the Group underwent a series of reorganisation steps. Details of which are set out in the section headed "History, Reorganisation and Corporate Structure" in this document.

The financial information presented in the Accountant's Report as set out in Appendix I in this document includes combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period, and have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, whichever is the shorter period. The combined statements of financial position of the Group as at 31 December 2014 and 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

3. SIGNIFICANT FACTORS AFFECTING THE RESULTS OF OPERATIONS

The results of operations and financial conditions are most significantly affected by a number of factors, many of which are beyond control, including those set forth below.

3.1 International trade volume, global and regional economic conditions

A majority of the Group's revenue is derived from international freight forwarding and transportation of cargo to or from Malaysia. The Group's business performance will therefore, to a large extent, be affected by global trade volume, in particular, the trade volume of Malaysia. If the Malaysian trade volume is adversely affected and lead to a material decline in the demand for the Group's services and the Group's business, financial condition and results of operation may be adversely affected. The formation of AEC in December 2015 will transform the ASEAN economy into a region with free movement of goods, services, investment and capital. The Directors believe that the open door policy will provide more opportunities for the Group to expand its business into other ASEAN countries.

3.2 USD/RM exchange rate

The Group derives a significant portion of its revenue from international operations. Quotes from suppliers, usually in USD for shipping cargo space and some of the customers pay the Group in USD. During the Track Record Period, the Group recorded (i) realised gain on foreign exchange of approximately 0.5 million and 0.8 million and (ii) unrealised gain on foreign exchange of approximately 0.4 million and 1.0 million for the years ended 31 December 2014 and 2015, respectively. There is no assurance that the foreign exchange rate will continue go in the direction that is favourable to the Group and may result in foreign exchange loss and negatively affect the Group's results of operations and other comprehensive income. 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.

For illustrative purpose only, the following table illustrates the sensitivity on the Group's profit resulting from hypothetical fluctuation in the USD/RM exchange rate during the Track Record Period. USD/RM fluctuated between the range of 3.14 and 3.50 in 2014 and 3.53 and 4.47 in 2015. The hypothetical fluctuation rates are set at approximately 11% and 27%, which represent the maximum changes in USD/RM exchange rate in 2014 and 2015, respectively and are therefore considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations	+/–11%	+/–27%
	RM'000	RM'000
Decrease/increase in net profit		
Year ended 31 December 2014	+/–556	+/–1,364
Year ended 31 December 2015	+/–1,465	+/–3,595

3.3 Reliance on a limited number of customers

During the Track Record Period, the Group derived a substantial portion of its revenue from a small number of customers. For the years ended 31 December 2014 and 2015, sales to the five largest customers accounted for approximately RM26.7 million and RM43.9 million of the Group's total revenue, respectively, and sales to these customers accounted for 44.1% and 52.9% of the total revenue, respectively. There is no assurance that the customers will continue to place orders with the Group, or that their future orders will be at a comparable level as in previous years. If any of the major customers ceases to place orders with the Group or reduces its order size, the Group's business, financial condition and results of operations could be adversely affected.

The Group will continue in strengthening its sales force by putting in more resources in training and recruiting of sales staff in order to further expand its customer base. Please refer to paragraph 2.5 of the section headed "Business" in this document for further details.

3.4 Demand from customers in the electronics industry

Many of the Group's customers are in the electronics industry. A severe downturn in the industry may adversely affect the ability of the Group's customers to maintain their performance and hence their business with the Group. The slowdown in demand for the key products may adversely affect their export and import and hence their demand for the Group's services which may negatively affect the Group's business and financial results.

The Group's customer base has been broadened during the past few years. Apart from the electronics industry, the Group also maintains a diversified customer base across various industries including healthcare, automotive, oil and gas, food and telecommunication.

The Group's sales team endeavour to approach customers in different industries and had successfully obtained recurring business from new customers in different industries during the Track Record Period. Please refer to 5.1.1 of this section for further details.

3.5 Performance of the subcontractors

The Group subcontracts some of its logistics services, including customs clearance, transportation services and warehousing services, to Independent Third Parties contractors. For the years ended 31 December 2014 and 2015, the subcontracting fees payable to the top five subcontractors accounted for approximately 5.4% and 3.6% of the Group's total direct costs, respectively.

There is no assurance that the subcontractors will at all times perform at a satisfactory level. If they fail to do so, the Group's business, reputation, financial performance and results of operation may be materially and adversely affected.

Notwithstanding the business relationship with the subcontractors, there is no assurance that the Group would be able to maintain such relationship with them in the future. Since there is no long-term service agreement entered into with the subcontractors, they are not obliged to work for the Group in future on similar terms and conditions. There is no assurance that the Group would be able to find alternative subcontractors with the requisite expertise, experience and capability that meet its service needs and work requirements. If the Group is unable to timely engage such suitable alternative subcontractors when needed, its ability to complete services on time and with effective cost could be impaired, thereby damaging its business reputation and adversely affecting its operations and financial results.

Majority of the Group's trucks, prime movers and trailers were purchased during the Track Record Period. In order to further reduce its reliance on subcontractors, the Group plans to further expand its own transportation fleets in the forthcoming years.

4. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial information of the Group was prepared in accordance with Hong Kong Financial Reporting standards, which require the Group to adopt accounting policies and make estimates and assumptions that the management believes are appropriate in the circumstances for the purposes of giving a true and fair view of the results and financial position of the Group. These significant accounting policies are important for understanding the financial position and results of operation of the Group and such accounting policies are set out in the Accountant's Report in Appendix I in this document. Some of the accounting policies involve subjective assumptions and estimates, as well as judgment related to accounting items. The Directors base their estimates on historical experience and other assumptions which the management believes to be reasonable under the circumstances. Results may differ under different assumptions and conditions. The management has identified below accounting policies that are most critical to the preparation of the combined financial statements.

4.1 Revenue recognition

Revenues are recognised when the services are rendered. For freight forwarding business, it generally coincides with the date of departure for outward freights and the time of transfer of goods to the customers at the designated location for inward freight. The Group effectively acts as a principal in arranging transportation of goods for customers, revenue recognised generally includes the carrier's charges to the Group. Interest income is recognised on accruals basis using the effective interest method.

4.2 Foreign currency

Transactions entered into by Group entities in currencies other than Malaysian ringgit are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Please refer to paragraph 4(h) of the Accountant's Report as disclosed in Appendix I in this document for more details.

4.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis.

The 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. The Directors confirm that there is no change in estimate useful lives of property, plants and equipment during the Track Record Period.

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that these assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased. The Directors confirm that none of property, plants and equipment has suffered any impairment loss or an impairment loss previously recognised no longer exists or decrease during the Track Record Period.

4.4 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases. Please refer to paragraph 8.3 of this section for more details.

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

5. COMBINED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth the combined statements of comprehensive income for the periods indicated, as derived from the Accountant's Report in Appendix I in this document.

	2014	2015
	RM	RM
Revenue	60,374,822	83,043,893
Cost of sales	(46,988,681)	(62,230,611)
Gross profit	13,386,141	20,813,282
Other revenue	897,485	2,121,676
Administrative expenses	(7,921,370)	(11,787,616)
Finance costs	(611,027)	(1,055,842)
Profit before income tax expense	5,751,229	10,091,500
Income tax expense	(1,875,787)	(3,122,032)
Profit for the year	3,875,442	6,969,468
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
— Exchange differences on translation to profit or loss	—	(2,308)
Total comprehensive income for the year	3,875,442	6,967,160

5.1 Revenue

The Group is an integrated logistics solution provider in Malaysia. The Group offers a range of logistics services to meet its customers' supply chain needs. These services can be broadly categorised into (a) comprehensive international freight services; (b) transportation services; and (c) warehousing services.

Please refer to the tables of the revenue by types of services with the classification in the business segments:

	For the year ended	
	31 December 2014	31 December 2015
	RM'000	RM'000
(a) Comprehensive International Freight Services		
— Air freight services(1)	27,101	47,243
— Sea freight services(2)	30,931	32,744
(b) Transportation(3)	1,998	2,748
(c) Warehousing(4)	345	309
	60,375	83,044

Notes:

(1) Air freight services represents comprehensive services which includes import & export air freight, custom clearance, local trucking and haulage to and from airport and customers/warehouse, other services related to air freight.

(2) Sea freight services represents comprehensive services which includes import & export sea freight, custom clearance, local trucking and haulage to and from seaport and customers/warehouse, other services related to sea freight.

(3) 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 (a) comprehensive international freight services. The transportation services include general trucking, bonded trucking, haulage services and value-added services such as tracking and tracing of cargo.

(4) The amounts represented the standalone warehouse services which did not form part of the comprehensive freight services. The revenue from supporting warehouse services was included in (a) comprehensive international freight services. The warehouse services include general warehousing and warehousing services in free commercial zone to customers.

Revenue — 2014 vs 2015

The Group's total revenue amounted to approximately RM60.4 million and RM83.0 million for the years ended 31 December 2014 and 2015, respectively. During the Track Record Period, vast majority of the Group's turnover was from comprehensive international freight services. For the year ended 31 December 2014, approximately 44.9% and 51.2% of the Group's turnover was attributable to air freight services and sea freight services, respectively. For the year ended 31 December 2015, income from air freight service overtook that of sea freight services, approximately 56.9% and 39.4% of the Group's turnover was attributable to air freight service and sea freight service, respectively. Majority of the Group's income was attributable to freight charges for each of the financial years ended 31 December 2014 and 2015.

Revenue for the year ended 31 December 2015 increased by approximately 37.5% or approximately RM22.7 million as compared to that of the previous year. It was mainly due to the increase in revenue generated from air freight services. The Directors believe that the Penang branch had become the growth engine of the Group, its revenue generated from Penang branch is more than doubled in 2015 as compared to the previous year. The Directors consider that the growth was mainly due to Penang's development towards an industrial hub and hence an increase demand for import of raw materials and export of finished goods. Please refer to paragraph 3.1 of the section headed "Business" in this document for more details. Further, revenue from Company F also increased substantially from approximately RM11.4 million for the year ended 31 December 2014 to RM26.6 million for the year ended 31 December 2015. The revenue contributed by the top five customers increased from approximately RM26.7 million for the year ended 31 December 2014 to RM43.9 million for the year ended 31 December 2015 which accounted for approximately 44.1% and 52.9% of total revenue for the corresponding periods, respectively. Please refer to paragraph 6 of the section headed "Business" in this document for more details.

5.1.1 Comprehensive International Freight Service

Air Freight Services

The revenue from the air freight services was the largest source of income which accounted for approximately RM27.1 million and RM47.2 million for the years ended 31 December 2014 and 2015, respectively. Revenue from air freight services mainly consists of fee of import & 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 major charging basis for the air freight services is based on the weight/ volume of the chargeable goods and distance between the airports of origin and destination.

Sea Freight Services

The revenue from the sea freight services accounted for approximately RM30.9 million and RM32.7 million for the years ended 31 December 2014 and 2015, respectively. Revenue from sea freight services mainly consists of fee of import & 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 major charging basis for the sea freight services is based on the weight/ volume of the goods and the destination.

During the Track Record Period, the Group had successfully attracted several new customers which generated recurring business to the Group. Among these new customers, two of them had became the top ten customers of the Group for the year ended 31 December 2015. Both of them have manufacturing plants in Penang, one in healthcare industry, and the other engaged in clean energy business.

The Directors believe that by tapping on the Malaysian government's policies to develop areas such as Batu Kawan of Penang, Iskandar in Johor and Malacca Port, the Group will (i) further expand its business in these major gateways of Malaysia; (ii) continue to expand the scope of services to provide cross border trucking, haulage and rail freight to customers in order to capture the growing opportunities in the demand for the logistics services.

5.1.2 Transportation

The Group's transportation services can be divided into two categories: (i) supporting service for its international freight business; and (ii) standalone service which is not related to sea freight or air freight.

Majority of the transportation revenue was from the supporting services for its comprehensive international freight business included income from haulage and trucking services. Such revenue has been taken into account as part of the revenue generated from the comprehensive international freight services provided by the Group.

The revenue from the standalone transportation services accounted for approximately 2.0 million and 2.7 million for the years ended 31 December 2014 and 2015, respectively. Revenue from standalone transportation services mainly consists of delivery fee for trucking services. Such revenue is mainly driven by the volume of goods delivered, and the numbers of trips and types of customers served, among other factors.

The Directors believe that the transportation services will continue to play a very important role in supporting the Group's comprehensive international freight business. By acquiring more trucks, prime movers and trailers in the forthcoming years, the Group will be in a more competitive position when the business opportunities arise upon opening up of the borders among the ASEAN countries. Please refer to paragraph 3.13 of the section headed "Industry Overview" in this document for more details.

5.1.3 Warehousing

During the Track Record Period, the Group's warehousing business was mainly served as a supporting role for its comprehensive international freight services. The Group's warehousing services provided in Port Klang mainly provided general warehousing services. The warehousing servies provided in Kuala Lumpur and Penang airports were mainly served as temporary storages of goods for its international air freight business. Therefore, revenue from the Group's warehouse business only accounted for an insignificant portion of less than 1% of the Group's total revenue during the Track Record Period. Please refer to paragraph 4.3 of the section headed "Business" in this document for more details.

The Group's own warehouse was set up for operation in March 2016. 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. Please refer to paragraph 4.3 of the section headed "Business" in this document for details. The Group will put more effort in promoting its warehousing business as a registered Corporate Lite Member of the TAPA Asia Pacific. The Directors expected that the revenue from its warehouse business will increase in the forthcoming years.

5.2. Cost of Sales

	For the year ended	
	31 December 2014	31 December 2015
	RM'000	RM'000
Air freight services	18,591	31,807
Sea freight services	21,197	21,052
Transportation	981	1,557
Warehousing	206	29
Other cost of sales[(1)]	6,014	7,786
	46,989	62,231

Note:

(1) Other cost of sales include staff cost, depreciation and other variable cost.

In line with turnover, majority of the cost of sales was attributable to 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.

Cost — 2014 vs 2015

Cost of sales for the year ended 31 December 2015 increased by approximately 32.4% or RM15.2 million as compared to that of the previous year. The increase is mainly due to increase in cost of air freight charges. Such increases in costs are in line with the increase in revenue from air freight charges.

5.3. Gross Profit and Gross Profit Margin

	For the year ended	
	31 December 2014	31 December 2015
	RM'000	RM'000
Gross profit	13,386	20,813
Gross profit margin	22.2%	25.1%

During Track Record Period, gross profit was mainly attributable to profit generated from (i) other value-added services such as handling and documentation, customs clearance of both air and sea freight services; (ii) freight charges; and (iii) supporting transportation for freight services.

Gross Profit and Gross Profit Margin — 2014 vs 2015

The gross profit increased about 55.5% from RM13.4 million for the year ended 31 December 2014 to RM20.8 million for the year ended 31 December 2015. The increase was mainly attributable to increase in gross profit from (i) air freight charges; (ii) supporting transportation services for its comprehensive sea freight services; and (iii) value add services in the comprehensive international freight services.

As gross profit increased at a faster rate as compare to increase in revenue, the gross profit margin improved from approximately 22.2% in 2014 to approximately 25.1% in 2015. The increase in gross profit margin was mainly due to (i) the Group managed to obtain better freight rates from its suppliers as shipment volume increased; (ii) improved efficiency in its transportation business as more transportation services was conducted by the Group's own transportation fleet; and (iii) increase business from customers in Penang.

5.4 Other Revenue

Other revenue of approximately RM0.9 million and RM2.1 million for the years ended 31 December 2014 and 2015, respectively, comprised bank interest income, gain on foreign exchange and gain on disposal of property, plant and equipment.

The following table sets forth other revenue during the Track Record Period.

	Year ended 31 December	
	2014	2015
	RM'000	RM'000
Bank interest income	1	42
Gain on foreign exchange		
— realised gain	475	800
— unrealised gain	406	997
Gain on disposal of property, plant and equipment	15	222
Others	—	61
	897	2,122

5.5 Expenses

Employee

Employee cost consist primarily of wages and salaries, medical benefits, and other allowances and benefits. Employee cost increased by approximately RM1.3 million or 20.2% from approximately RM6.3 million for the year ended 31 December 2014 to approximately RM7.6 million for the year ended 31 December 2015. The increase was primarily attributable to the increase in the number of the full-time employees from 134 by the end of 2014 to 157 by the end of 2015.

The Directors expect that employee cost will continue to increase as the Group will employ more full-time staff to expand it business in the forthcoming years.

Depreciation of property, plant and equipment

For the years ended 31 December 2014 and 2015, depreciation of property, plant and equipment amounted to approximately RM1.5 million and RM2.6 million, respectively. Property, plant and equipment are depreciated on a straight-line basis and depreciation expenses mainly include the depreciation of motor vehicles of 20% per annum. The increase in depreciation cost of 78.1% or RM1.1 million is mainly attributable to (i) acquisition of warehouse in 2014, and (ii) expansion of the Group's vehicle fleet. The Group purchased 7 trucks, 5 prime movers and, 35 trailers since second half of 2014 and up to 31 December 2015. The Directors believe that depreciation cost will further increase in the forthcoming years as the Group envisages to further increase its vehicle fleet to support its business expansion.

Operating lease rental

For the years ended 31 December 2014 and 2015, operating lease rental in respect of rented property, plant and equipment amounted to approximately RM0.8 million and RM0.9 million, respectively. Rented property include the office premises, warehouses and yards. Rented plant and equipment include forklift. Please refer to paragraph 8.3.3 of this section for more information.

Finance costs

Finance costs represented interest on bank overdraft bank borrowing and finance lease. For the years ended 31 December 2014 and 2015, financial cost amounted to approximately RM0.6 million and RM1.1 million, respectively. The increase is mainly due to the increase in bank financing for hire purchase of vehicle fleet and acquisition of the Group's own warehouse in Port Klang in 2014.

Other expenses

Other expenses mainly include other operating cost such as insurance, professional charges, utilities, printing and stationery, repair and maintenance of premises, travelling, marketing and entertainment. For the years ended 31 December 2014 and 2015, other expenses amounted to approximately RM2.1 million and RM2.9 million, respectively.

The following table sets forth the breakdown of other expenses for the periods indicated:

	For the year ended 31 December	
	2014	2015
	RM'000	RM'000
Travelling, marketing and entertainment	625	751
Insurance	116	350
Professional charges	164	457
Printing & Stationery	223	219
Utilities	369	387
Repairs and maintenance of premises	233	125
Security Charges	116	182
Others *(Note)*	268	455
	2,114	2,926

Note: Others include toll, bad debts, and other miscellaneous expenses.

Other expenses increased by approximately RM0.8 million or 38.4% from approximately RM2.1 million for the year ended 31 December 2014 to approximately RM2.9 million for the year ended 31 December 2015. The increase was primarily attributable to the increase in expenses such as insurance premium, professional charges and travelling and entertainment expenses.

Taxation

The taxation represents the provision of Malaysian profits tax calculated at the statutory rate of 25% of the estimated profits for the year. For the years ended 31 December 2014 and 2015, the tax expense incurred by the Group amounted to approximately RM1.9 million and RM3.1 million, respectively. The increase was in line with the increase in profit before taxation. Please refer to note 15 of the Accountant's Report as disclosed in Appendix I in this document for details.

5.6 [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 RM1.4 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.

5.7 Net Profit and Net Profit Margin

As a result of the foregoing, the Group's net profit increased about 79.8% from RM3.9 million for the year ended 31 December 2014 to RM7.0 million for the year ended 31 December 2015. The net profit margin increased from 6.4% to 8.4% for the same corresponding periods.

The Directors believe that the increase in net profit and net profit margin was mainly attributable to (i) increase in turnover as a result of increase demand in international freight services for import of raw materials and export of finished goods for manufacturing plants based in Penang; and (ii) improved gross profit margin for freight charges in air freight services and transportation in sea freight services. Please refer to paragraphs 5.1.1 and 5.3 of this section for more details.

6. LIQUIDITY AND CAPITAL RESOURCES

The Group finances its liquidity requirements primarily through current cash and cash equivalents, cash flows from operations and banking facilities. Upon [REDACTED], sources of liquidity will be satisfied using a combination of cash generated from operating activities, short-term or long-term indebtedness.

The following table sets forth a summary of net cash flow for the periods indicated:

	Year ended 31 December	
	2014	2015
	RM'000	RM'000
Net cash generated from operating activities	6,671	11,824
Net cash used in investing activities	(13,859)	(2,485)
Net cash generated from financing activities	9,689	434
Net increase in cash and cash equivalents	2,501	9,773
Effects of exchange rate changes on cash and cash equivalent	291	748
Cash and cash equivalents at the beginning of the year	2,574	5,366
Cash and cash equivalents at the end of the year	5,366	15,887

6.1 *Operating activities*

During the Track Record Period, net cash flows from operating activities mainly represented profit before tax, being adjusted for depreciation, interest income, interest expense, the effects of movements in working capital and Malaysian profits tax paid.

Year ended 31 December 2014

Net cash from operating activities was approximately RM6.7 million for the year ended 31 December 2014, primarily as a result of operating cash flows of approximately RM7.4 million before net positive changes in working capital of approximately RM1.2 million, interest payment of approximately RM0.6 million and tax payment of approximately RM1.4 million. Change in working capital primarily consisted of combined effects of (i) the increase in trade and other receivable of approximately RM2.4 million; and (ii) the increase in trade and other payables of approximately RM3.6 million. Explanations of fluctuations of the aforesaid items from the combined statements of financial position are set out in paragraph 9 of this section.

Year ended 31 December 2015

Net cash from operating activities was approximately RM11.8 million for the year ended 31 December 2015, primarily as a result of operating cash flows of approximately RM13.0 million before net positive changes in working capital of approximately RM1.3 million, interest payment of approximately RM1.1 million and tax payment of approximately RM1.4 million. Change in working capital primarily consisted of combined effects of (i) the increase in trade and other receivable of approximately RM6.0 million; and (ii) the increase in trade and other payables and accrued expenses of approximately RM7.3 million. Explanations of fluctuations of the aforesaid items from the combined statements of financial position are set out in the paragraph 9 of this section.

6.2 *Investing activities*

Year ended 31 December 2014

Net cash used in investing activities was approximately RM13.9 million for the year ended 31 December 2014, primarily attributable to the purchase of warehouse in Port Klang, prime movers and trailers of approximately RM13.2 million.

Year ended 31 December 2015

Net cash used in investing activities was approximately RM2.5 million for the year ended 31 December 2015, primarily attributable to the purchase of trucks and office in Port Klang.

6.3 *Financing activities*

Year ended 31 December 2014

Net cash generated from financing activities was approximately RM9.7 million for the year ended 31 December 2014, primarily due to the combined effects of the proceed from bank borrowings of approximately RM12.4 million mainly for the purchase of warehouse and the repayment of bank borrowings and finance lease obligation of approximately RM2.5 million.

Year ended 31 December 2015

Net cash generated from financing activities was approximately RM0.4 million for the year ended 31 December 2015, primarily due to the combined effects of (i) proceed from bank borrowings of approximately RM4.0 million; (ii) repayment of bank borrowings and finance lease obligation of approximately RM3.1 million; (iii) dividend payment of approximately RM3.1 million; and (iv) proceed from subscription of new shares of approximately RM2.2million.

7. NET CURRENT ASSETS/(LIABILITIES)

The following table sets forth current assets and current liabilities as at the dates indicated:

	As at 31 December		As at 31 January
	2014	2015	2016
	RM'000	RM'000	RM'000 (unaudited)
Current assets			
Trade and other receivables	13,446	19,293	19,304
Amounts due from directors	530	6	6
Amounts due from shareholders	—	7,756	7,756
Amounts due from related companies	2,179	—	—
Tax recoverable	—	1	1
Cash and cash equivalents	5,366	15,887	15,854
	21,521	42,943	42,921
Current liabilities			
Trade and other payables	7,246	14,384	13,498
Bank borrowings, secured	1,096	950	1,699
Current tax liabilities	406	1,716	1,716
Finance lease obligations	1,880	1,728	1,695
	10,628	18,778	18,608
Net current assets	10,893	24,165	24,313

Net current assets increased by approximately RM13.3 million or 121.8% from approximately RM10.9 million as at 31 December 2014 to approximately RM24.2 million as at 31 December 2015. The increase was mainly due to increase in trade and other receivables of approximately RM5.8 million, increase in amounts due from shareholders of approximately RM7.8 million, the increase in cash and cash equivalents of approximately RM10.5 million, and was partially offset by the increase in trade and other payables of approximately RM7.1 million.

Net current assets increased by approximately RM0.1 million or 0.6% from approximately RM24.2 million as at 31 December 2015 to approximately RM24.3 million as at 31 January 2016. The net current assets were maintained at a similar level.

8. INDEBTEDNESS

8.1 Bank Borrowings

	As at 31 December		As at 31 January
	2014	2015	2016
	RM'000	RM'000	RM'000 (unaudited)
Secured and interest-bearing bank borrowings	11,758	15,086	15,048
Bank overdraft	495	17	728
	12,253	15,103	15,776
Bank borrowings are repayable as follows:			
— on demand or within one year	1,096	950	1,699
— after one year but within two years	634	1,050	1,053
— in the second to fifth years, inclusive	2,104	3,373	3,375
— over five years	8,419	9,730	9,649
	12,253	15,103	15,776
Amount due within one year included in current liabilities	1,096	950	1,699
Amount include in non-current liabilities	11,157	14,153	14,077

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 2014 and 2015 granted under banking facilities ranged from 4.2% to 6.8% and 4.2% to 6.9% per annum, respectively.

As at 31 December 2014, 31 December 2015 and 31 January 2016, the carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contains repayable on demand clause amounting to RM11,156,643, RM14,152,594 and RM14,076,639, respectively. Please refer to note 22 (b) to the Accountant's Report in Appendix I in this document for details of classification of current liabilities and non-current liabilities.

The Group's bank borrowings and banking facilities are secured by (i) land and buildings with net carrying amount of RM13,382,553, RM14,503,271 and RM14,480,680 as at 31 December 2014, 31 December 2015 and 31 January 2016, respectively; and (ii) personal guarantees from the Controlling Shareholders, such guarantees will either be released or fully repaid upon [REDACTED].

8.2 Contingent Liabilities

Bank guarantees of RM428,000, RM612,000 and RM557,000 of the Group as at 31 December 2014, 31 December 2015 and 31 January 2016, respectively, 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.

8.3 Contractual Commitments

8.3.1 Capital Commitments

The capital commitments of the Group are related to purchase of two staff hostel, office in Port Klang and renovation of Port Klang warehouse. The details of the Group's capital commitments are set forth in the table below:

	As at 31 December		As at 31 January
	2014	2015	2016
	RM'000	RM'000	RM'000 (unaudited)
1) Purchase of D-Latour, staff hostel in Kuala Lumpur	684	595	595
2) Purchase of The Hub@SS2, staff hostel in Kuala Lumpur	622	622	622
3) Purchase of Port Klang Office	1,214	—	—
4) Renovation of Port Klang Warehouse	—	1,934	1,789
Total	2,520	3,151	3,006

8.3.2 Finance Leases Commitments

The contractual commitments of the Group's finance leases are hire purchase related to motor vehicles such as trucks, prime movers and trailers. The tenure of the hire purchase agreements range from three to five years with interest rates ranging from 2.4% to 3.4%. The details of the Group's finance lease commitments are set forth in the tables below:

As at 31 January 2016:

	Minimum lease payments	Interest	Present value
	RM'000 (unaudited)	RM'000 (unaudited)	RM'000 (unaudited)
Not later than one year	1,996	301	1,695
More than 1 year but less than 2 years	1,786	201	1,585
Later than 2 years and not later than 5 years	2,709	137	2,572
	6,491	639	5,852

At 31 December 2015:

	Minimum lease payments	Interest	Present value
	RM'000	RM'000	RM'000
Not later than one year	2,038	310	1,728
More than 1 year but less than 2 years	1,786	209	1,577
Later than 2 years and not later than 5 years	2,858	144	2,714
	6,682	663	6,019

At 31 December 2014:

	Minimum lease payments	Interest	Present value
	RM'000	RM'000	RM'000
Not later than one year	2,234	354	1,880
More than 1 year but less than 2 years	1,808	250	1,558
Later than 2 years and not later than 5 years	3,686	282	3,404
Later than five years	14	—	14
	7,742	886	6,856

The present value of future lease payments are analysed as:

	31 December 2014	31 December 2015	31 January 2016
	RM'000	RM'000	RM'000 (unaudited)
Current liabilities	1,880	1,728	1,695
Non-current liabilities	4,976	4,291	4,157
	6,856	6,019	5,852

8.3.3 Operating lease commitments

Operating lease payments represent rentals payable by the Group for its office premises, warehouses, plant, machinery and equipment. Leases are negotiated for a term of one to four years.

The Group's operating lease commitments amounted to approximately RM0.2 million, RM0.2 million and RM0.2 million as at 31 December 2014, 31 December 2015 and 31 January 2016, respectively. The following table sets out the future minimum lease payments payable by the Group as at the dates indicated under operating leases.

As at 31 December 2014, 31 December 2015 and 31 January 2016, the Group had commitments for future minimum lease payments under operating leases in respect of rented premises which fall due as follows:

	As at 31 December		As at 31 January
	2014	2015	2016
	RM'000	RM'000	RM'000 (unaudited)
Rented premises			
Within one year	105	176	159
In the second to fifth year inclusive	47	7	6
	152	183	165
Plant, machinery and equipment			
Within one year	34	31	28
In the second to fifth year inclusive	6	6	4
	40	37	32
	192	220	197

8.4 Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, normal trade and other payables and accrued charges, the Group did not have any outstanding borrowings and indebtedness such as loan capital issued and outstanding or agreed to be issued, bank overdraft, loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, guarantees or other material contingent liabilities at the close of business as at the Latest Practicable Date.

9. ANALYSIS OF SELECTED COMBINED STATEMENTS OF FINANCIAL POSITION ITEMS

9.1 Property, plant and equipment

Property, plant and equipment mainly represented (i) freehold land; (ii) leasehold land and building; (iii) motor vehicles; (iv) leasehold improvement; (v) computer; and (vi) furniture, fixture and equipment which, in aggregate, amounted to approximately RM21.9 million and approximately RM25.1 million as at 31 December 2014 and 2015, respectively. The increase of approximately RM3.2 million or 14.8% was mainly due to (i) increase of leasehold improvement of approximately RM3.3 million because of the renovation of the Group's own warehouse and Penang office; (ii) purchase of company car, trucks and trailers of approximately RM1.2 million and (iii) increase in land and building of approximately RM1.4 million because of the purchase of office in Port Klang, partly offset by depreciation of approximately RM2.6 million.

9.2 Trade and other receivables

Trade and other receivables mainly represented the balances due from customers, prepayments, deposits and other receivables which amounted to approximately RM13.4 million and approximately RM19.3 million as at 31 December 2014 and 2015, respectively.

The following table sets forth the Group's trade, prepayments and other receivables as at the dates indicated.

	As at 31 December	
	2014	**2015**
	RM'000	**RM'000**
Trade receivables	11,530	17,601
Prepayments and deposits	1,061	1,159
Other receivables	855	533
Total	13,446	19,293

Trade receivables

The trade receivables increased from approximately RM11.5 million to RM17.6 million as at 31 December 2014 and 2015 respectively. The increase was mainly due to increase in sales.

The following table sets out the aged analysis of trade receivables, net of impairment losses, as at the dates indicated:

	As at 31 December	
	2014	2015
	RM'000	RM'000
0–30 days	5,363	8,832
31–60 days	3,575	6,520
61–90 days	1,237	1,436
Over 90 days	1,355	813
	11,530	17,601

The following table sets out the trade receivables turnover days for the Track Record Period:

	For the year ended 31 December	
	2014	2015
Trade receivables turnover days *(note)*	70	77

Note: Trade receivables turnover day equals year end balance of trade receivables divided by revenue for the relevant year multiplied by the number of days in the relevant year.

The Group generally grants its customers a credit period of 30–60 days from the invoice date. Trade receivables turnover days for the years ended 31 December 2014 and 2015 were 70 days and 77 days, respectively. Trade receivable turnover days exceeded the Group's maximum credit period of 60 days as the Group had experienced delayed settlement from certain multinational customers. Based on the fact that these customers have been continuously settling its bills without default, the Directors considered that there was no collectability issue in relation to such outstanding trade receivables and, accordingly, no provision had been made. The Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, the Group did not experience any material default in payment from its customers.

The policy for impairment loss on trade receivables is based on an evaluation of collectability and aged analysis of the receivables, which requires the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. The Group will monitor its trade receivable balance and any overdue balances on an ongoing basis, and assessments are made on the collectability of overdue balances.

Written-off of loans and receivables of approximately RM0.03 million and RM0.2 million was recognised as at 31 December 2014 and 2015, respectively.

As at 31 January 2016, approximately 54.1% of its trade receivables as at 31 December 2015 were subsequently settled.

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables mainly represented the prepayment for finance lease obligations and deposits for utilities and rental.

9.3 Trade and other payables

Trade and other payables primarily relate to the payables to suppliers, and other payables and accrued expenses. Trade and other payables and accrued expenses amounted to approximately RM7.2 million and RM14.4 million as at 31 December 2014 and 2015, respectively.

The following table sets forth the age analysis of trade creditors based on the invoice date as at the dates indicated.

	As at 31 December	
	2014	**2015**
	RM'000	**RM'000**
0–30 days	2,441	3,640
31–60 days	1,708	4,665
61–90 days	156	759
Over 90 days	167	391
Total	4,472	9,455

Trade payables

Trade payables increased from approximately RM4.5 million as at 31 December 2014 to approximately RM9.5 million as at 31 December 2015 which was mainly due to increase in cost of sales.

The following table sets out the trade payables turnover days for the Track Record Period:

	For the year ended 31 December	
	2014	**2015**
Trade payables turnover days *(note)*	35	55

Note: Trade payables turnover day equals year end balance of trade payables divided by total direct costs for the relevant year multiplied by the number of days in the relevant year.

Trade payables turnover days for the years ended 31 December 2014 and 2015 were 35 days and 55 days, respectively. The credit terms offered by major suppliers was normally 30 days while the Group endeavour to maintain favourable bargaining power over a few major suppliers who will provide better terms for the Group due to the long term working relationship.

Other payables, accrued expenses and deposit received

Other payables, accrued expenses and deposit received mainly included sundry payables which amounted to approximately RM2.8 million and RM4.9 million for the financial years ended 31 December 2014 and 2015, respectively.

During the Track Record Period, the Group had not experienced material defaults in payment of trade and other payables and accrued expenses.

9.4 Amounts due from directors and related parties

As at 31 December 2014 and 2015, the amounts due from Mr. Lee and Mr. Chin amounted to approximately RM0.5 million and RM0.006 million, respectively. The following table sets forth the details of amounts due from directors:

	As at 31 December	
	2014	**2015**
	RM'000	**RM'000**
Mr. Lee	265	3
Mr. Chin	265	3
	530	6

The amounts due from directors were non-trade related, unsecured, interest free and repayable on demand, and the amounts has been fully settled as at the Latest Practicable Date.

The amounts due from related companies are as follow:

	As at 31 December 2014	As at 31 December 2015
	RM'000	RM'000
WG Resources International Sdn. Bhd.	202	—
Worldgate Resources Group Sdn. Bhd.	1,150	—
PT Worldgate Resources Express	827	—
	2,179	—

The directors of the Group, Mr. Lee and Mr. Chin, have equity interests in WG International Sdn. Bhd., Worldgate Resources Group Sdn. Bhd. and PT Worldgate.

The amounts due are unsecured, interest-free and repayable on demand. As at 31 December 2015, the amount was fully settled and there is no amounts due from related companies as at the Latest Practicable Date.

9.5 Amounts due from shareholders

	As at 1 January 2015	As at 31 December 2015
	RM	RM
Upright Plan	—	3,878,280
Champion Ascent	—	3,878,280
	—	7,756,560

The amount is non-trade related, unsecured, interest-free and repayable on demand. Subsequent to 31 December 2015, the amounts were fully settled.

10. MAJOR FINANCIAL RATIOS

The following table sets forth certain financial ratios as at the dates indicated. Please refer to relevant paragraphs as indicated in the table below for more details.

	For the financial year ended 31 December		Disclosure in relevant Financial Information Section
	2014	2015	
A. Profitability ratios:			
1. Growth			
a. Turnover growth		37.5%	5.1
b. Net profit growth		79.8%	5.7
2. Profit margins			
a. Gross margin (Gross profit/Sales x 100%)	22.2%	25.1%	5.3
b. Net profit margin before interest & tax (Net profit before interest & taxes/ Sales x 100%)	10.5%	13.4%	10.1
c. Net profit margin (Net profit after taxes/Sales x 100%)	6.4%	8.4%	5.7

	For the financial year ended 31 December		Disclosure in relevant Financial Information Section
	2014	2015	
3. Return on equity			
a. Return on equity (Net profit/Shareholders' equity x 100%)	23.5%	23.0%	10.2
b. Return on total assets (Net profit/Total assets x 100%)	8.8%	10.2%	10.3
B. Liquidity ratios:			
1. Liquidity ratios			
a. Current ratio (Current assets/Current liabilities)	2.0	2.3	10.4
b. Quick ratio (Current assets — Stock/Current liabilities)	2.0	2.3	10.4
2. Turnover ratios			
a. Stock turnover days (Stock/Sales x 365 days)	NA(1)	NA(1)	NA(1)
b. Debtors' turnover days (collection period) (Debtor/Sales x 365 days)	70	77	9.2
c. Creditors' turnover days (average payment period) (Trade creditors/Sales x 365 days)	35	55	9.3
C. Capital adequacy ratio:			
1. Gearing ratio(2) (Total debt/Total equity x 100%)	115.7%	69.7%	10.5
2. Debt to net worth ratio(2)			
a. Net debt to equity ratio (Net debt(3)/Total equity x 100%)	83.2%	17.3%	10.6
b. Interest coverage (Profit before interest and tax/interest)	10.4	10.6	10.7

Notes:

(1) The Group did not have any inventories during the Track Record Period.

(2) Debts are defined to include payables incurred not in the ordinary course of business.

(3) Net debts are defined to include all borrowings net of cash and cash equivalents.

10.1 Net profit margin before interest & tax

The net profit margin before interest & tax increase from approximately 10.5% for the year ended 31 December 2014 to approximately 13.4% for the year ended 31 December 2015. The increase was mainly attributable to (i) increase in other revenue from approximately RM0.9 million for the financial year ended 31 December 2014 to approximately RM2.1million for the financial year ended 31 December 2015; and (ii) the increase in gross profit margin from 22.2% for the year ended 31 December 2014 to 25.1% for the year ended 31 December 2015. Please refer to paragraphs 5.3 and 5.4 of the section headed "Financial Information" in this document for more details.

10.2 Return on equity

Return on equity was approximately 23.5% and 23.0% as at 31 December 2014 and 2015, respectively. Total equity was approximately RM16.5 million as at 31 December 2014, which subsequently increased to approximately RM30.3 million as at 31 December 2015 as a result of profit recognised for the year 2015 and share premium in relation to the issuance of [REDACTED] to [REDACTED] of approximately RM10.0 million during the year ended 31 December 2015. Due to the high base effect, return on equity for the year ended 31 December 2015 was slightly lower than that of 2014.

10.3 Return on total assets

As at 31 December 2014, total assets were amounted to approximately RM43.8 million, which subsequently increased to approximately RM68.5 million as at 31 December 2015, primarily as a result of (i) increase in property, plant and equipment of approximately RM3.2 million; (ii) increase in trade and other receivables of approximately RM5.8 million; (iii) increase in amount due from shareholders of approximately RM7.8 million; and (iv) increase in cash and cash equivalent of approximately RM10.5 million during the year ended 31 December 2015. The net profit increased from approximately RM3.9 million in 2014 to RM7.0 million in 2015. With the increase of total assets of approximately 56.3% and net profit of approximately 79.8% during the year ended 31 December 2015, return on assets increase from approximately 8.8% as at 31 December 2014 to approximately 10.2% as at 31 December 2015.

10.4 Current ratio and quick ratio

Due to the nature of the Group's business, it does not have any inventories. As such, current ratio equals to quick ratio. Current ratio as well as quick ratio as at 31 December 2014 and 2015 were approximately 2.0 time and 2.3 times, respectively. The increase in current ratio and quick ratio during the year ended 31 December 2015 was principally attributable to the increase in current assets by 99.5% from approximately RM21.5 million as at 31 December 2014 to approximately RM42.9 million as at 31 December 2015 primarily resulting from the increase in cash and cash equivalent, trade and other receivable and amount due from shareholders. While current liabilities also increased by 76.7% from approximately RM10.6 million as at 31 December 2014 to approximately RM18.8 million as at 31 December 2015. The magnitude of increase of current asset is more than the increase of current liabilities. Therefore, there is a slight increase in the ratios. Please refer to paragraph 7 of this section for more information of the current assets and current liabilities. The Directors believe that current ratio as well as quick ratio were maintained at a healthy level during the Track Record Period.

10.5 Gearing ratio

The gearing ratio is calculated by dividing total debt by total equity at the end of the respective years. The Group's gearing ratio decreased from 115.7% to 69.7% from the year of 2014 to 2015. The decrease in gearing ratio mainly attributable to the increase in total equity from approximately RM16.5 million to RM30.3 million during the corresponding periods. The increase is as a result of profit recognised for the financial year ended 31 December 2015 and increase in share premium of approximately RM10 million due to the issuance of [REDACTED] to [REDACTED].

10.6 Net debt to equity ratio

Net debt to equity ratio is calculated based on net debt divided by total equity at the end of the respective years. The Group's net debt to equity ratio substantially decreased from 83.2% to 17.3% from the year of 2014 to 2015. The decrease in net debt to equity ratio mainly attributable to (i) the decrease in net debt from RM13.7 million to RM5.2 million from the year 2014 to 2015 due to increase in cash balance because of the [REDACTED] funding; and (ii) the increase in total equity from approximately RM16.5 million to RM30.3 million during the corresponding periods. Please refer to 10.5 of this section for more details.

10.7 Interest coverage

Interest coverage is calculated based on profit before interest and tax divided by interest. Interest coverage was maintained at about 10.5 level during the Track Record Period. The Directors hope to maintain the interest coverage ratio at a healthy level in the forthcoming years.

11. OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Save as disclosed in paragraph 3.2 of this section or otherwise disclosed herein, the Group does not have any interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to the Group or engages in leasing or hedging or research and development or other services with it. The Group has not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third parties.

12. FINANCIAL RISKS

12.1 Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligations by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position of the Group.

The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise the credit risk, the Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Please refer to paragraphs 6.2 and 6.3 of the section headed "Business" and note 32(a) of the Accountant's Report in Appendix I in this document for details.

As at 31 December 2014 and 2015, the Group has concentration of credit risk as 6.2% and 36.5%, respectively, of the total trade receivable was due from the Group's largest customer. The Group's concentration of credit risk on the top five largest customers accounted for approximately 25.4% and 50.6% of the total trade receivable as at 31 December 2014 and 2015, respectively. The Directors considered the credit risk of amounts due from these customers is insignificant after considering their historical settlement record, credit quality and financial positions. As at the Latest Practicable Date, there are only approximately RM2.2 million of the trade receivables due in 2015 outstanding.

12.2 Liquidity risk

The Group generally grants a credit period of 30-60 days from the invoice date, while the Group's suppliers generally offer a credit period of 0-30 days to the Group as shipping lines generally do not grant any credit term. In this regard, the management put great emphasis on cash flow management. The Group's finance department monitors the payments of the customers via aging report and work closely with the sales department who is responsible for the collection of the overdue payments. Please refer to paragraph 6.2 of the section headed "Business" in this document for more details.

In managing the liquidity risk, the Group will monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Please refer to note 32(b) of the Accountant's Report in the Appendix I in this document for further details.

12.3. Interest Rate Risk

Please refer to paragraph 3.3 of this section for more details.

12.4 Foreign exchange risk

As 25.0% and 37.9% of revenue and 27.3% and 43.6% of the cost of sales were settled in USD for the years ended 31 December 2014 and 2015, respectively, the Group is exposed to foreign exchange risk. The Group mitigates the foreign exchange risk by entering into USD forward contracts. Please refer to paragraph 3.2 of this section for more details.

13. RECENT FINANCIAL DEVELOPMENTS

The Group has continued to focus on strengthening its market position in the logistics industry in Malaysia. As far as the Directors are aware, logistics industry remained relatively stable after the Track Record Period. There was no material adverse change in the general economic and market conditions in the industry in which the Group operate that had affected or would affect its business operations or financial condition materially and adversely.

Revenue and cost structure have remained unchanged since 31 December 2015. The Directors consider that the Group's financial performance for the year ending 31 December 2016 will be significantly affected by the increase in [REDACTED]. The one-off [REDACTED] of approximately RM[REDACTED] million will be charged to the combined statement of comprehensive income for the year ending 31 December 2016.

14. FUTURE PROSPECTS AND OUTLOOK OF THE GROUP'S BUSINESS

Although logistics industry in Malaysia is fragmented and competitive, the Group is able to maintain a reasonable gross profit margin of 22.2% and 25.1% for the financial years ended 31 December 2014 and 2015, respectively. According to EMI Report, overall revenue receipts of logistics services and freight forwarding services in Malaysia amounted to RM30,104 million and RM15,654 million in 2014, respectively representing a CAGR of 4.7% and 3.2%, respectively. Meanwhile, the Group's turnover has service segment increased approximately 37.5% from RM60.4 million [for the year ended 31 December 2014] to RM83.0 million [for the year ended 31 December 2015]. Based on EMI Report, Malaysia's logistics and freight forwarding service segment is expected to post relatively higher growth over 2015–2019 with a CAGR of 6.0% and 5.1%, respectively, as compared to the CAGR of agent 4.7% and 3.2%, respectively, for 2010–2014.

The Directors believe that there are (i) still plenty of room for growth for business in Penang given the fact that companies continue to set up new manufacturing plants in Penang; (ii) new business opportunities in Malacca, Johor and border of Thailand upon opening up of the borders of the ASEAN countries. Please refer to paragraphs 3.1 and 3.2 of the section headed "Business" in this document for more details.

15. SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources available to the Group, including the internally generated funds, available banking facility and the estimated [REDACTED] of the [REDACTED], the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of the document.

During the Track Record Period and up to the Latest Practicable Date, the Directors confirm that the Group (i) has not encountered any difficulty in obtaining external borrowings; (ii) has not been recalled or requested for early repayment of borrowings; (iii) has not had any delay or default in repayment of trade and non-trade payables and bank borrowings, and/or breaches of other covenants under its borrowings; and (iv) has not breached of any finance covenants.

16. NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in its financial or trading position or prospects since 31 December 2015, being the date of the last audited financial statement as set out in Appendix I in this document, up to the date of this document.

17. RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in the Accountant's Report in Appendix I in this document, the Directors confirm that these transactions were conducted on normal commercial terms and/or on terms not less favourable than terms available from Independent Third Parties, which are considered fair, reasonable and in the interest of its Shareholders as a whole.

18. DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

The Directors confirm that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to any disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

19. DISTRIBUTABLE RESERVES

The aggregate amount of the distributable reserves as at 31 December 2014 and 2015 of the Group were approximately RM9.5 million and RM23.3 million, respectively.

20. DIVIDEND POLICY

The Company currently does not have a dividend policy and may distribute dividends by way of cash or by other means that the Directors consider appropriate. A decision to declare and pay any dividend would require the approval of the Directors and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval.

No dividend has been paid or declared by the Company since its incorporation. The subsidiaries of the Company declared interim dividends of approximately RM3.1 million to their then shareholders. In March 2016, the directors of certain subsidiaries proposed final dividends amounting to RM12,000,000 in aggregate. The dividend of RM12,000,000 will be paid upon [REDACTED]. The Group financed the payment of such dividend by available cash and cash equivalents prior to [REDACTED]. Distribution of dividends, in the future, if any, will depend on the results of its operations, cash flows, financial conditions, statutory and regulatory restrictions as aforementioned and other factors that it may consider relevant, and is subject to its discretion. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future. The Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

21. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to Appendix II in this document for further details.