

REGULATORY OVERVIEW

MALAYSIAN REGULATORY OVERVIEW

The logistics services in Malaysia are regulated by specific legislations regulating freight forwarding or customs clearance, warehousing, and transportation. To undertake such business, various registrations, approvals and licences are required to be obtained from regulatory authorities in Malaysia. A summary of salient Malaysian legal and regulatory provisions and licensing requirements that have a material impact to the Group’s business operations is set out below. As it is in the form of a summary, it does not contain all legal and regulatory provisions that may be applicable to the Group’s business operations in Malaysia. Any investor who wishes to have a detailed description of the laws of Malaysia in relation to the Group’s operations is recommended to seek and consult their own independent legal advisers.

1. Freight Forwarding and Customs Brokerage Services

The Group’s freight forwarding and customs brokerage services are regulated by the Customs Act 1967. The Group is required to submit application to the Royal Malaysian Customs Department for permission to act as a freight forwarder and customs brokers. Such application shall be considered by the Royal Malaysian Customs Department and such permission may be granted subject to such terms and conditions as it may deem fit to impose.

As at the Latest Practicable Date, Worldgate Express has obtained the permission from the Royal Malaysian Customs Department (SMK BON No. 1000022/15) on 23 January 2015 to act as a forwarding agent for the term commencing from 19 January 2015 up to 18 January 2016, the same has been renewed on 22 September 2015 (SMK BON No. 10000297/15) with the term commencing from 19 January 2016 up to 18 January 2019. The permissions are subject to the following terms and conditions:

- (i) Worldgate Express shall have at least fifty one per cent (51%) Bumiputera equity interest, directorship, management and supporting staffs. This condition is not applicable to companies which are only acting as shipping agents and companies which have acquired the status of International Integrated Logistics Service (“IILS”) from Malaysian Investment Development Authority (“MIDA”);
- (ii) Worldgate Express shall have a paid-up share capital of not be less than Ringgit Malaysia One Hundred Thousand (RM100,000) since it is a company registered under the Companies Act 1965 of Malaysia;
- (iii) Worldgate Express shall apply for renewal of the permission no later than fourteen (14) days before the expiry of such approval;
- (iv) Worldgate Express if acting as customs agents shall not change its name, address, ownership without the consent of the Royal Malaysian Customs Department; and
- (v) Worldgate Express shall not lease or allow another party to use the permission obtained to conduct customs clearance.

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In respect to (i) as stated above, Worldgate Express has on 30 June 2014 acquired the status of ILS from MIDA, and is exempted from the requirement of having fifty one per cent (51%) Bumiputera equity interest, directorship, management and supporting staffs. The Directors have also confirmed that the Group is in compliance with the terms and conditions of the approval of the Royal Malaysian Customs Department and are licensed to carry out freight forwarding and customs brokerage services.

Worldgate Express has also on 19 January 2016 obtained consent from the Royal Malaysian Customs Department for the Reorganisation.

2. Warehousing Services

Under the Customs Act 1967 and Excise Act 1976, the Director General of Customs and Excise of Malaysia may, on payment of the required fees, grant a licence to a licensee for warehousing dutiable goods. Application of such licence shall be made in accordance to the requirements as stipulated in the Customs Regulations 1977 or the Excise Regulations 1977, as the case may be. No other goods other than the goods specified in the licence granted may be stored in any licensed warehouse. Furthermore, the licensee is not permitted to store in the licensed warehouse any goods upon which the duty has been paid or non-dutiable goods.

Notwithstanding the provisions of the Customs Act 1967 and Excise Act 1976, the Free Zones Act 1990 was implemented to govern the establishment of free zones in Malaysia for promoting the economic life of the country and other related purposes. The Minister of Finance of Malaysia may, by notification in the Gazette, declare any area in Malaysia to be a Free Commercial Zone where commercial activities are carried out with minimal customs control. Commercial activities such as trading (excluding retail trade), breaking bulk, grading, repacking, relabelling, and transit are allowed to be carried out in a Free Commercial Zone without payment of any customs duty, excise duty, sales tax or service tax. The list of Free Commercial Zones in Malaysia is prescribed in the first schedule of the Free Zones Act 1990, and includes amongst others the following:

- (i) Kuala Lumpur International Airport, Sepang, Selangor Darul Ehsan; and
- (ii) The Air Cargo Forwarding Agents Warehouse Complex, International Airport situated at part of Lot 1993 Mukim 12, District of Barat Daya, Penang.

The Free Zones Regulations 1991 provides that any person wishing to carry out any commercial activity within a Free Commercial Zone shall apply in writing for approval to the authority in charge of operating the Free Commercial Zone. The approval granted may be subject to such terms and conditions as the authority deems necessary to impose.

The Free Zones Regulations 1991 also provides that no person shall hold leases and tenancies in a Free Commercial Zone for the purpose of carrying out any commercial activity in the zone, unless the permission of the authority is obtained. The permission granted shall be in writing and may be subject to such terms and conditions as the authority deems necessary to impose.

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As at the Latest Practicable Date, Worldgate Express is currently renting the following warehouses at the aforementioned Free Commercial Zones to store dutiable goods:

- (i) the demised premises rented from Maskargo Logistics Sdn Bhd bearing the postal address Lot B 2A-1, Block B, Free Commercial Zone, KLIA Cargo Village, Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan, Malaysia (“**KLIA Warehouse**”); and
- (ii) the demised premises rented from Malaysia Airlines Berhad bearing the postal address Block-B-02 MAB Cargo Agents Building, Free Commercial Zone 1, Penang International Airport, 11900 Penang, Malaysia (“**Penang Warehouse**”).

The Group has obtained the following from the relevant authority in charge of operating the respective Free Commercial Zone:

- (i) Operating License Certificate No. FCZ OL 0473 issued on 9 March 2016 granted by Malaysia Airports (Sepang) Sdn Bhd, being the authority of the KL International Airport Free Commercial Zone, to carry out commercial activities at the KLIA Warehouse; and
- (ii) Operating License Certificate No. FCZ/OLT(1)/028/2015 issued on 17 December 2015 by Malaysia Airports Sdn Bhd, being the authority of Penang Free Commercial Zone, to carry out commercial activities at the Penang Warehouse.

In respect of the permission to rent premises in the Free Commercial Zone, Worldgate Express has obtained the following permissions from the relevant authority in charge of operating the respective Free Commercial Zone:

- (i) Permission issued on 9 March 2016 by Malaysia Airports (Sepang) Sdn Bhd being the Free Zone authority of KL International Airport Free Commercial Zone; and
- (ii) Permission issued on 17 November 2015 by Malaysia Airports Sdn Bhd being the Free Zone authority of Penang International Airport Free Commercial Zone.

The Directors have confirmed that save for the KLIA Warehouse and Penang Warehouse, the Group does not operate any licensed warehouse to deposit any dutiable goods and they further undertake to apply and obtain the necessary licence from the Director General of Customs and Excise of Malaysia in the event they decide to deposit dutiable goods in other warehouse(s).

3. Land Transport Operations

The operation of commercial vehicles including trucks, prime movers and trailers are governed by the Road Transport Act 1987 and Land Public Transport Act 2010.

The Road Transport Act 1987 and Motor Vehicles (Periodic Inspection, Equipment and Inspection Standard) Rules 1995 require that all trucks, prime movers and trailers are required to undergo periodic inspection at a vehicle inspection center to ensure that all such vehicles comply

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with the statutory requirements as to construction, equipment and use of their respective class or category. After the inspection is carried out, an inspection certificate will be issued to specify that the vehicle complies with all the statutory requirements as to its construction, equipment and use.

The Directors have confirmed that the Group is in compliance with all the statutory conditions set out in the Road Transport Act 1987 and the Motor Vehicles (Periodic Inspection, Equipment and Inspection Standard) Rules 1995.

The Land Public Transport Commission, via the authority granted by the Land Public Transport Act 2010, controls the issuance of licences for operation of goods vehicles in Peninsular Malaysia. Under the Land Public Transport Act 2010, the Group is required to apply for an operator’s licence to operate all trucks, prime movers and trailers.

An operator’s licence issued shall, unless replaced or revoked, continue in force for such period as may be determined by the Land Public Transport Commission of Malaysia, provided that such period shall not exceed seven (7) years. Renewal of the same shall be made at least ninety (90) days before the date of expiry of the existing operator’s licence and shall be accompanied by the prescribed renewal fee.

As at the Latest Practicable Date, (a) Worldgate Express has obtained operator’s licence No. 499783-A(LA) bearing serial No. L076977 dated 20 October 2015 which shall be valid for the term commencing from 20 October 2015 to 22 March 2018; (b) Freight Transport has obtained operator’s licence No. 885428-M(LA) bearing serial No. L071238 dated 14 August 2014 which shall be valid for the term commencing from 14 August 2014 to 13 August 2019; and (c) Worldgate Haulage has obtained operator’s licence No. 1175990-M(LA) bearing serial No. L092926 dated 31 May 2016 which shall be valid for the term commencing from 20 October 2015 to 22 March 2018, subject to the terms and conditions as specified therein.

The Directors have confirmed that the Group is in compliance with all the terms and conditions as specified in the operator’s licences and all the statutory conditions set out in the Land Public Transport Act 2010.

4. Integrated Logistics Services as a Promoted Activity for Investments

The Promotion of Investments Act 1986 was implemented to promote the establishment and development of industrial, agricultural and other commercial enterprises in Malaysia by way of relief from income tax. One of the main tax incentives provided under the Promotion of Investments Act 1986 is the “pioneer status” granted by MIDA. Any company being desirous of participating in a promoted activity may make an application in writing to the Minister of International Trade and Industry of Malaysia for pioneer status to be given in relation to that activity.

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Under the First Schedule of the *Promotion of Investments (Promoted Activities and Promoted Products) Order 2012*, “integrated logistics services” has been listed as one of the promoted activity under the Promotion of Investments Act 1986. Pioneer status may be granted in the terms of the application or may be granted subject to such variation of those terms, and subject to such conditions as the Minister of International Trade and Industry of Malaysia thinks fit.

Any company which has been granted pioneer status shall within twenty four (24) months from the date of such grant or such extended period as the Minister of International Trade and Industry of Malaysia may allow, request for a pioneer certificate. The tax relief period of a pioneer company shall begin on the day as specified in the pioneer certificate and continue for a period of five (5) years.

5. Business Premise Licences

The Local Government Act 1976 is an act which empowers every local authority to grant any licence or permit for any trade, occupation or premises and such licence shall be subject to such conditions and restrictions as the local authority may prescribe. The Local Government Act 1976 also gives power to local authorities to enact the following trade by-laws (“**Trade By-Laws**”):

- (i) *Trade, Business and Industrial Licensing Bylaw (Klang Municipal Council (“MPK”)) 2007* provides that no person shall use any place or premises, within the area administered by the MPK for any trade, business or industry without a licence issued by the MPK. A temporary licence may also be issued and shall be valid for a term not exceeding six (6) months from the date of issuance. A temporary licence may be extended for another term not exceeding six (6) months by written application by the applicant at or before the expiry of the first six months.

The Group has obtained the following existing business licences issued by MPK to the following companies:

- (a) Business and Advertisement Licence No. 01021015599220166 dated 23 June 2016 issued to Worldgate Express for warehousing at Lot 9066, Jalan Udang Gantung, Telok Gong, 42000 Pelabuhan Klang, Selangor Darul Ehsan, Malaysia which is valid from 23 June 2016 to 31 December 2016;

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- (b) Business and Advertisement Licence No. 0101065861820074 dated 9 December 2015 issued to Worldgate Express for the premises occupied by Worldgate Express as a haulage yard for warehousing and storing of automobile spare parts/motor accessories at Lot 14863, Jalan Udang Gantung, Kampung Telok Gong, 42000 Pelabuhan Klang, Selangor Darul Ehsan, Malaysia which is valid from 31 December 2015 to 31 December 2016;
 - (c) Business and Advertisement Licence No. 01011112647120138 dated 7 December 2015 issued to My Forwarder for office use at No. 69-A, Jalan Bayu Tinggi 6/KS6, Taman Bayu Tinggi, 41200 Klang, Selangor Darul Ehsan, Malaysia which is valid from 7 December 2015 to 31 December 2016;
 - (d) Business and Advertisement Licence No. 0101119693020100 dated 8 January 2016 issued to Freight Transport as a forwarding company at No. 69B, Jalan Bayu Tinggi 6/KS6, Taman Bayu Tinggi, 41200 Klang, Selangor Darul Ehsan, Malaysia which is valid from 8 January 2016 to 31 December 2016; and
 - (e) Business and Advertisement Licence No. 01011112652320130 dated 8 January 2016 issued to Freight Transport as a shipping and forwarding agency at No. 69-G, Jalan Bayu Tinggi 6/KS6, Taman Bayu Tinggi, 41200 Klang, Selangor Darul Ehsan, Malaysia which is valid from 8 January 2016 to 31 December 2016.
- (ii) ***Licensing of Trades, Business and Industries (Subang Jaya Municipal Council (“MPSJ”)) By-Laws 2007*** provides that no person shall use any place or premises, within the area administered by the MPSJ for any trade, business or industry of without a licence issued by the MPSJ.

Worldgate Express has obtained Business and Advertisement Licence No. 2120090100050 dated 21 December 2015 issued by MPSJ to Worldgate Express for the premises occupied by Worldgate Express as office headquarters at No. 42, Jalan Puteri 2/2, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan, Malaysia which is valid from 21 December 2015 to 31 December 2016.

- (iii) ***Municipal Council of Penang Island (“MBPP”) (Trade, Business and Industries) By-Laws, 1991*** provides that no person shall use any place or premises, within the area administered by the MBPP for any trade, business or industry without a licence issued by the MBPP.

Worldgate Express has obtained the following existing business licences issued by MBPP: (a) Business and Advertisement Licence No. KOM00002044 dated 6 January 2016 issued by MBPP in the name of Lee Kim Seong on behalf of Worldgate Express for the premises occupied by Worldgate Express as office use at 29C-3A-07 & 29C-3A-08, Maritime Plaza, Lebu Sungai Pinang 5, 11600 Georgetown, Penang, Malaysia which is valid from 6 January 2016 to 31 December 2016; and (b) Business and Advertisement Licence No. KOM00002892 dated 19 April 2016 issued in the name of Lee Kim Seong

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on behalf of Worldgate Express for the premises occupied by Worldgate Express for warehousing at Block B-02 MAB, Cargo Agent Building FCZ 1, Penang International Airport, 11900, Bayan Lepas, Pulau Pinang, Malaysia which is valid from 19 April 2016 to 31 December 2016.

- (iv) ***Licensing of Trades (Malacca Historic City Council (“MBMB”)) By-Laws 2010*** provides that no person shall use any place or premises, within the area administered by the MBMB for any trade, business or industry without a licence issued by the MBMB.

Worldgate Express has obtained Temporary Business and Advertisement Licence No. 209081100052015 dated 11 April 2016 issued by MBMB to Worldgate Express for office use at No. 11-1, Jalan TTC 26B, Taman Teknologi Cheng, 75250 Melaka, Malaysia which is valid from 11 April 2016 to 12 April 2017.

- (v) ***Licensing of Trades, Business and Industries (Johor Bahru City Council (“MBJB”)) By-Laws 2004*** provides that no person shall use any place or premises, within the area administered by the MBJB for any trade, business or industry without a licence issued by the MBJB.

The Group has obtained Business Premise Licence No. 01600642015 dated 1 January 2016 issued by MBJB to Freight Transport for office use at 142A Jalan Sri Pelangi, Taman Pelangi, 80400 Johor Bahru, Malaysia which is valid from 1 January 2016 to 31 December 2016.

- (vi) ***Licensing of Trades, Business and Industries (Sepang Municipal Council (“MPS”)) By-Laws 2007*** provides that no person shall use any place or premises, within the area administered by the MPS for any trade, business or industry without a licence issued by the MPS.

Worldgate Express has obtained Business Premise Licence No. 30934 dated 30 March 2016 issued in the name of Chin Seng Leong on behalf of Worldgate Express for warehousing at Lot B2A-1, Block B, Free Commercial Zone, KLIA Cargo Village, KLIA 64000 Sepang, Selangor Darul Ehsan, Malaysia which is valid from 30 March 2016 to 31 December 2016.

The Directors have confirmed that the Group is in compliance with the requirements of the Local Government Act 1976 and the relevant Trade By-Laws.

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6. Occupational Safety and Health

The Occupational Safety and Health Act 1994 provides a legislative framework to promote standards for safety and health at work. Pursuant to the provisions contained in the Occupational Safety and Health Act 1994, the Group has a duty to ensure, so far as is practicable, the safety, health and welfare at work of the employees. The matters to which the duty extends include the making of arrangements for ensuring, so far as is practicable, safety and absence of risks to health in connection with the use or operation, handling of forklifts and trucks, as well as the provision of such information, instruction, training and supervision as is necessary to ensure, so far as is practicable, the safety and health at work of the employees.

The Group is also required under the Occupational Safety and Health Act 1994 to prepare and revise (as often as may be appropriate) a written statement of its general policy with respect to the safety and health at work of the employees, as well as the arrangements for the time being in force for carrying out such policy. Towards that end, Worldgate Express has prepared its written statement entitled Safety & Health Policy dated 26 January 2010 whereby all employees are required to report any injury or work related illness to their immediate supervisor regardless of the seriousness of the injuries, the supervisor will then investigate and report to the management accordingly.

The Directors have also confirmed that the Group is in compliance with the requirements of the Occupational Safety and Health Act 1994.

7. Carriage of Goods by Sea and Air

In relation to carriage of goods by sea and air, the relevant international conventions are the International Convention for the Unification of Certain Rules of Law relating to Bills of Lading, Brussels 1924 (“**Hague Rules**”), the Warsaw Convention for the Unification of Certain Rules Relating to International Carriage by Air 1929 (“**Warsaw Convention**”) and the Montreal Convention for the Unification of Certain Rules for International Carriage by Air 1999 (“**Montreal Convention**”) (collectively, the “**International Conventions**”).

The International Conventions have been adopted, incorporated and are enforceable in Malaysia through Carriage of Goods by Sea Act 1950 and Carriage by Air Act 1974.

(i) *Carriage of Goods by Sea Act 1950* (“**CSA**”)

CSA is an Act that governs carriage of goods by sea in Malaysia and has given effect to the Hague Rules, pursuant to the First Schedule of the CSA (“**CSA Rules**”). CSA shall have effect in relation to and in connection with the carriage of goods by sea in ships carrying goods from any port in Malaysia to any other port whether in or outside Malaysia. The bill of lading issued by the Group in Malaysia shall contain an express statement that it is subject to the CSA Rules. As such, for the carriage of goods by sea from any port outside Malaysia to any port in Malaysia, the CSA and the CSA Rules will not apply, instead the laws of the country from where the goods were shipped would be the applicable law.

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(ii) *Carriage by Air Act 1974 (“CAA”)*

CAA is an Act that governs amongst others carriage of goods by air in Malaysia and has given effect to Warsaw Convention and Montreal Convention. CAA shall also have effect in relation to and in connection with all international carriages within the parties to Warsaw Convention and Montreal Convention. The air waybill issued by the Group in Malaysia shall be subject to the terms and conditions as required in the CAA, whereby the liability of the Group is limited to a sum of two hundred and fifty francs per kilogram, unless otherwise stated.

The Directors have confirmed that the Group is in compliance with the requirements of CSA and CAA.