Application Proof of

WORLDGATE GLOBAL LOGISTICS LTD
盛 良 物 流 有 限 公 司

(the "Company")

(Incorporated in the Cayman Islands with limited liability)

WARNING

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the "**Exchange**") and the Securities and Futures Commission (the "**Commission**") solely for the purpose of providing information to the public in Hong Kong.

This Application Proof is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with the Company, its sponsor, advisers and members of the underwriting syndicate that:

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(h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;

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If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company's prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

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IMPORTANT

If you are in any doubt about any contents of this document, you should obtain independent professional advice.

WORLDGATE GLOBAL LOGISTICS LTD
盛 良 物 流 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED]	**:**	**[REDACTED] (subject to [REDACTED])**
[REDACTED]	**:**	**HK$[REDACTED] per [REDACTED] (payable in full upon application, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, and subject to refund)**
Nominal Value	**:**	**HK$0.01 each**
[REDACTED]	**:**	**[●]**

Sponsor

AmCap
Ample Capital Limited
豐盛融資有限公司

[REDACTED]

[●]

A copy of this document, having attached thereto the documents specified under Appendix VI in this document, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies of Hong Kong take no responsibility as to the contents of this document or any other documents referred to above.

Prospective investors of the [REDACTED] should note that the [REDACTED] are entitled to terminate their obligations under the [REDACTED] by notice in writing to the Company given by the [REDACTED] (for itself and on behalf of the [REDACTED]) upon the occurrence of any of the events set out under paragraph 2.2 of the section headed "[REDACTED]" in this document, at any time prior to [8:00] a.m. (Hong Kong time) on the [REDACTED]. Should the [REDACTED] (acting for itself and on behalf of the other [REDACTED]) terminate its obligations under the [REDACTED] in accordance with the terms of the [REDACTED], the [REDACTED] will not proceed and will lapse.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this document, including the risk factors set out in the section headed "Risk Factors" in this document.

[6 June 2016]

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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EXPECTED TIMETABLE

[REDACTED]

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You should rely only on the information contained in this document to make your investment decision.

The Company, the Sponsor, the [REDACTED] and the [REDACTED] have not authorised anyone to provide you with information that is different from what is contained in this document.

Any information or representation not made in this document must not be relied on by you as having been authorised by the Company, the Sponsor, the [REDACTED] and the [REDACTED], and any of their respective directors, officers, employees, agents or representatives or any other party involved in the [REDACTED].

The contents on the website at ***www.worldgate.com.my*** *which is the official website of the Company do not form part of this document.*

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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:

	Year ended 31 December 2014		Year ended 31 December 2015	
	RM'000	%	RM'000	%
1. Comprehensive international freight services[(1)]				
— 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[(2)]	1,998	3.3	2,748	3.3
3. Warehousing services[(3)]	345	0.6	309	0.4
Total	60,375	100	83,044	100

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.

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

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.

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.

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:

Year(s) of certification/award	Certification/award	Awarding organisation or authority
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.

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

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).

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

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.

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]

In this document, unless the context otherwise requires, the following expressions have the following meanings:

"AEC"	ASEAN Economic Community
"Ample Capital" or "Sponsor"	Ample Capital Limited, a corporation licensed to carry on types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management) under the SFO, and the sponsor to the [REDACTED]
"Articles" or "Articles of Association"	the articles of association of the Company conditionally adopted on [●] 2016 with effect from the [REDACTED] and as amended from time to time, a summary of which is set out in Appendix IV in this document
"ASEAN"	the Association of Southeast Asian Nations
"associate(s)"	has the meaning ascribed to it in the GEM Listing Rules
"Audit Committee"	the audit committee of the Board
"Billion Oriental"	Billion Oriental Limited, a company incorporated with limited liability in BVI on 1 July 2015 and a wholly-owned subsidiary of the Company
"Board"	the board of Directors
"business day"	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands

[REDACTED]

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"Champion Ascent"	Champion Ascent Limited, a company incorporated in BVI on 1 September 2015 with limited liability which is beneficially owned as to 40% by Mr. Gan and 60% by Mr. Chang as at the Latest Practicable Date
"China" or "PRC"	the Peoples' Republic of China, but for the purpose of this document only and except where the context requires otherwise, references in this document to "China" and the "PRC" do not include Hong Kong, the Macau Special Administrative Region and Taiwan
"close associate(s)"	has the meaning ascribed to it in the GEM Listing Rules
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which came into effect on 3 March 2014 as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company"	Worldgate Global Logistics Ltd (盛良物流有限公司), a company incorporated in the Cayman Islands on 18 February 2016 as an exempted company with limited liability

"connected person(s)"	has the same meaning ascribed to it in the GEM Listing Rules
"Controlling Shareholders"	the controlling shareholders (having the meaning ascribed to it in the GEM Listing Rules) of the Company, and in the context of this document means Mr. Lee, Mr. Chin and RLDC Investment
"Deed of Indemnity"	the deed of indemnity dated [●] and entered into between our Controlling Shareholders and the Company, pursuant to which each of the Controlling Shareholders has given certain tax and estate duty indemnities and other indemnities in favour of the Company (for itself and as trustee for each of the subsidiaries), further particulars of which are set out in paragraph 14 in Appendix V in this document
"Deed of Non-competition"	the deed of non-competition undertaking dated [●] and entered into between the Controlling Shareholders and the Company (for itself and as trustee for each of the subsidiaries), the principal terms of which are summarised in paragraph 3 of the section headed "Relationship with Controlling Shareholders" in this document
"Director(s)"	the director(s) of the Company
"Dong Tai"	Dong Tai Logistics Holdings Limited, a company incorporated with limited liability in BVI on 30 March 2015 and a wholly-owned subsidiary of the Company
"Dong Tai (HK)"	Dong Tai Logistics (Hong Kong) Holdings Limited (formerly known as Dong Tai Logistics Limited), a company incorporated with limited liability in Hong Kong on 20 April 2015 and a wholly-owned subsidiary of the Company
"EMI"	Euromonitor International Limited, a market research and consulting company, an Independent Third Party
"EMI Report"	the report titled "Logistics Services Focusing on Freight Forwarding Services in Malaysia" prepared by EMI, details of which are set out in the section headed "Industry Overview" in this document
"Freight Transport"	Freight Transport Network Sdn. Bhd., a company incorporated in Malaysia on 8 January 2010 with limited liability and a wholly-owned subsidiary of the Company

"Gallant Pride"	Gallant Pride Limited, a company incorporated with limited liability in BVI on 1 July 2015 and a wholly-owned subsidiary of the Company
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	The Rules Governing the Listing of Securities on GEM (as amended from time to time)
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
"Group"	the Company together with the subsidiaries and in respect of the period before the Company became the holding company of its present subsidiaries, the companies which carried on the business of the Group at the relevant time
"HK$" or "HK dollar(s)" or "HKD" and "cent(s)"	Hong Kong dollar(s) and cent(s), respectively, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"IILS"	International Integrated Logistics Service
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is or are not a connected person(s) of the Company within the meaning of the GEM Listing Rules
"Latest Practicable Date"	14 March 2016, being the latest practicable date for ascertaining certain information prior to the printing of this document
[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]
"Listing Division"	the listing division of the Stock Exchange
"Malaysia Legal Advisers"	Ben & Partners, the legal advisers to the Company as to the laws of Malaysia
"Malaysian Subsidiaries"	Worldgate Express, My Forwarder, Freight Transport and Worldgate Haulage
"Memorandum" or "Memorandum of Association"	the memorandum of association of the Company adopted on [●] and as amended from time to time
"MIDA"	Malaysian Investment Development Authority
"Mr. Chang"	Mr. Chang Kin Man, a shareholder holding a 60.0% equity interest in Champion Ascent which in turn holds a [REDACTED] equity interest in the Company immediately after 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)
"Mr. Chin"	Mr. Chin Seng Leong, the chief executive officer of the Company, and an executive Director as well as a Controlling Shareholder
"Mr. Gan"	Mr. Gan Ker Wei, a Shareholder holding the entire equity interest in Walgan Investment which in turn holds the entire equity interest in Upright Plan and 40% interest in Champion Ascent, both of which holds a [REDACTED] equity interest in the Company, respectively, immediately after 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)
"Mr. Lee"	Mr. Lee Chooi Seng, the chairman of the Company, an executive Director as well as a Controlling Shareholder
"My Forwarder"	My Forwarder International Sdn. Bhd., a company incorporated in Malaysia on 6 May 2005 with limited liability and a wholly-owned subsidiary of the Company

"Nomination Committee"	the nomination committee of the Board
"[REDACTED]"	the option to be granted by the Company to the [[REDACTED]] under the [REDACTED] to require the Company to issue up to an additional [REDACTED] Shares, representing [REDACTED]% of the number of the [REDACTED] at the [REDACTED], details of which are set out in the section headed "Structure and Conditions of the [REDACTED]" in this document
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Remuneration Committee"	the remuneration committee of the Board
"Reorganisation"	the corporate reorganisation of the Group in preparation for [REDACTED] as more particularly described in the section headed "History, Reorganisation and Corporate Structure" in this document
"RLDC Investment"	RLDC Investment Holdings Limited, a company incorporated in BVI on 9 October 2015 with limited liability and is owned by Mr. Lee and Mr. Chin as to 50% each as at the Latest Practicable Date
"RM"	Malaysian ringgit, the lawful currency of Malaysia
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

"Share(s)"	ordinary share(s) of nominal value of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Share Option Scheme"	the share option scheme conditionally adopted by the Company, please refer to paragraph 13 in Appendix V in this document for further details
"sq.m."	square meters
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the GEM Listing Rules, unless the context otherwise required
"Substantial Shareholder(s)"	substantial shareholder(s) of the Company having the meaning ascribed to it in the GEM Listing Rules
"Superb Vantage"	Superb Vantage Limited, a company incorporated with limited liability in BVI on 7 July 2015 and a wholly-owned subsidiary of the Company
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the years ended 31 December 2014 and 2015
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Upright Plan"	Upright Plan Limited, a company incorporated in BVI on 1 December 2014 with limited liability and is wholly and beneficially owned by Mr. Gan as at the Latest Practicable Date
"US"	the United States of America
"US$" or "US dollar(s)" or "USD"	United States dollar(s), the lawful currency of the United States

"Walgan Investment"	Walgan Investment Limited, a company incorporated with limited liability in the BVI on 18 December 2014 and is wholly-owned by Mr. Gan
"Worldgate Express"	Worldgate Express Services Sdn. Bhd., a company incorporated in Malaysia on 25 November 1999 with limited liability and a wholly-owned subsidiary of the Company
"Worldgate Haulage"	Worldgate Haulage Services Sdn Bhd, a company incorporated in Malaysia on 18 February 2016 with limited liability and is owned by Mr. Lee and Mr. Chin as to 50% each as to the Latest Practicable Date, and a wholly-owned subsidiary of the Company upon [REDACTED]
"Worldgate International"	Worldgate International Investments Limited, a company incorporated in BVI on 2 October 2015 with limited liability and is wholly-owned by RLDC Investment as at the Latest Practicable Date, and a wholly-owned subsidiary of the Company
"%"	percent

Unless otherwise specified or for transactions that have occurred at historical exchange rates, amounts denominated in HK$ have been translated, for the purpose of illustration only, into RM in this document at the following rates:

HK$1.90 = RM1.00

Unless otherwise specified, all references to any shareholding in the Company in this document assume no Share which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme.

GLOSSARY

This glossary of technical terms contains certain terms used in this document as they relate to the Group and as they are used in this document in connection with the Group's business or the Group. Some of these definitions may not correspond to standard industry definitions.

"airway bill"	a non-negotiable document that applies to shipment by air freight, serving as a contract between the shipper and the air freight carrier, a receipt by the carrier for goods shipped, and a non-negotiable document of title to the goods which evidences the contract between the shipper and carrier(s) for the carriage of goods over routes of the carrier(s)
"CAGR"	compound annual growth rate
"carrier"	the individual or organization who transports passengers or goods for a profit
"consignee"	one to whom a consignment is made i.e. the person named on a bill of lading or air waybill to whom or to whose order the bill promises delivery
"consignment"	goods or property sent by the aid of a common carrier from one person in one place to another person in another place
"FCL"	full container load, a standard (twenty or forty-foot) container that is loaded and unloaded under the risk and account of the shipper or consignee
"freight forwarder"	one who assembles and consolidates shipment and performs or provides for break-bulk and distribution operations of shipments. A freight forwarder may act as a principal who assumes responsibility for the transportation from the place of receipt to the place of delivery by issuing his own house bill of lading or air waybill to individual shippers whose goods he is consolidating, or as an agent, who is entrusted by shippers and consignees to handle transportation of goods or related business in the names of the shippers and consignees
"GDP"	gross domestic product
"GPS"	Global Positioning System, a space-based global navigation satellite system that provides location and time information anywhere on earth
"incoterms"	a set of pre-defined commercial terms used for international transactions

"ISO 9001"	the standards set by ISO for quality management system where an organisation needs to demonstrate its ability to consistently provide product that meets customer and applicable statutory and regulatory requirements and aims to enhance customer satisfaction
"IT"	information technology
"LCL"	less than container load, cargo that is insufficient either in quantity or in weight to qualify for the freight rates that applied to a standard shipping container
"LPI"	Logistics Performance Index
"pick & pack"	part of a complete supply chain management process that is commonly used in, but not limited to, the retail distribution of goods. It entails processing small to large quantities of product, often truck or train loads and disassembling them, picking the relevant product for each destination and re-packaging with shipping label affixed and invoice included
"shipper"	person or firm (usually the sellers) named in the shipping documents as the party responsible for initiating a shipment to a consignee (usually the buyer) named in the shipping documents
"TEU"	"Twenty-foot Equivalent Unit", a standard of measurement used in container transport for describing the volume of trade and the capacity of container ships, and for other statistical purposes, as well as for freight quotations
"tonnes"	metric tonnes, where one metric tonne equals 1,000 kilograms
"trading partner"	a freight forwarder with whom the Group has an established relationship

FORWARD-LOOKING STATEMENTS

The Company has included in this document forward-looking statements that are not historical facts, but relate to its intentions, beliefs, expectations or predictions for future event. These forward-looking statements are contained principally in the sections entitled "Summary", "Risk Factors", "Industry Overview", "Business", and "Financial Information", which are, by their nature, subject to risks and uncertainties.

In some cases, the Company uses the words "aim", "anticipate", "believe", "continue", "could", "expect", "intend", "may", "plan", "potential", "predict", "propose", "seek", "should", "will", "would" and similar expressions or statements to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- its business strategies and plan of operations;
- its capital expenditure and funding plans;
- general economic conditions;
- the trends of industry and technology;
- the Group's financial condition;
- margins, overall market trends, risk management and exchange rates;
- the regulatory environment for the freight forwarding and logistics industry in general; and
- other statements in this document that are not historical fact.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond the control of the Company. In addition, these forward-looking statements reflect the current views of the Company with respect to future events and are not a guarantee of future performance.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to those discussed under the section headed "Risk Factors" and elsewhere in this document.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. The Company undertakes no obligation to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond the control of the Company. The Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way the Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to these cautionary statements.

Potential investors of the [REDACTED] should carefully consider all of the information set out in this document and, in particular, the following risks and special considerations associated with an investment in the [REDACTED] before making any investment decision in relation to the [REDACTED]. The Company's business, financial position and operating results could be materially and adversely affected by any of these risks or other risk factors and uncertainties that the Company is unaware of, or investment factors that the Company considers insignificant at present. The trading price of the Shares may decline due to any of these risk factors and uncertainties, and you may lose all or part of your investment in the Shares.

1. RISKS RELATING TO THE GROUP'S BUSINESS

1.1 The Group may face difficulty in providing its integrated logistics services if it fails to renew or obtain its licences and permissions

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. In providing integrated logistics services in Malaysia, the Group has obtained various permissions, certificates, licences and approvals, including customs agent licence, approval to carry out commercial activity in a free commercial zone, operator's licence for group vehicles operator's licence, business and advertisement licence and pioneer status certificate. These licences and permissions are subject to renewal.

In the event that the Group fails to renew or obtain its relevant licences and permissions, even if the Group may be able to subcontract relevant services, there is no assurance that the Group can locate suitable subcontractors in a timely manner or on reasonable commercial terms, and the subcontractor will at all times perform in a satisfactory level. Therefore, the Group's business, reputation, prospects, results of operations and financial condition may be materially and adversely affected.

1.2 Future terrorist or extremist attacks, or the threat of such attacks, and cargo hijacking may increase the costs of the Group's operations and reduce demand for the Group's services

During the Track Record Period, there was one incident that the Group's cargo in-transit was hijacked and the trailer and cargos were all found. The Group has not received any claim from the customer and did not suffer any loss in the incident. Risks of cargo hijacking and theft incidents are inherent to the nature of the Group's business. Even though the Group adopts risk management measures, such as GPS and security escort services, there is no guarantee that such hijacking and/or theft will not recur. Terrorist or extremist attacks and their impact may negatively affect the logistics industry. The potential impacts on the logistics industry include the loss of traffic and revenues, increased security and insurance costs and delays due to tightened security. Any future terrorist or extremist attacks, or the threat of such attacks, may increase the costs of operations due

to the tightened security, more delays or cancellations associated with new government decrees and reduce demand for the Group's services. In such event, the reputation, business and results of operations of the Group may be materially and adversely affected.

1.3 The Group relies on its business partners, overseas freight forwarders and other service providers

The Group appoints overseas freight forwarders to manage logistics business overseas and subcontractors to carry out some of the transportation and overseas freight forwarding business. Apart from network freight forwarders, the Group also engages non-network freight forwarders which are recommended by the Group's existing customers or suppliers. During the Track Record Period, the Group subcontracted some of its logistics services, including part of its customs clearance, trucking and haulage services and warehouse services to Independent Third Parties providers. overseas freight forwarders may pass referral businesses or subcontract local sub-parts of their shipments to the Group whereby the Group has no control over, and no comprehension of the customers' nature or the goods they carry. Should these referred shipments carry goods of illicit nature, these goods may end up being impounded by customs and the Group may be investigated for breaking local laws and fined by the authorities.

There is also no assurance that business partners, overseas freight forwarders and other service providers of the Group will at all times perform at a satisfactory level and renew their co-operation agreements upon expiry. If they fail to do so, the Group's business, reputation, financial performance and results of operation may be materially and adversely affected.

1.4 Significant increases in cost of freight charges may materially and adversely affect the Group's business, financial condition and results of operations

The carriers used to provide freight forwarding service are owned by Independent Third Parties. In the event that they increase freight rates and usage fee rates, the Group will transfer the costs to its customers which may adversely affect the Group's pricing and costs. The Group incurs significant costs in procuring cargo space from airlines and ocean carriers, as well as providing or arranging for land transportation services overseas. For the years ended 31 December 2014 and 2015, cost of sales amounted to 47.0 million and 62.2 million, respectively. Cost of sales for the year ended 31 December 2015 increased by approximately 32% or RM15.2 million as compared to that of the previous year. The increase is mainly due to an increase in cost of freight charges. In line with turnover, majority of the cost of sales was attributable to freight charges of cargo spaces. Freight costs are significantly affected by a variety of factors, including fuel prices, exchange rate, the imposition of, or increases in, import or export taxes, the supply of cargo space, market conditions and other factors, many of which are beyond the Group's control. The Group prices its services on a cost-plus basis, by reference to the types of services provided, costs of cargo spaces, fees of third party service providers etc. The inability to pass on to customers of the Group any significant increases in freight and transportation costs could therefore materially and adversely affect the business, financial condition and results of operations of the Group.

1.5 The business of the Group is highly dependent on information technology

The Group is in the midst of changing to a new system (namely, *Freight Management 3000*) to integrate its customer service, operations and accounting functions. The ability to maintain effective information management depends, in part, upon the success of changing to a new system, the ability to make timely and cost-effective enhancements and additions to the technology underpinning the Group's operational platform and to introduce new technological products and services that meet customer demands. There is no assurance that the Group will be able to successfully keep up with technological improvements in order to meet its customers' needs or that the technology developed by others will not render its services less competitive or attractive. In addition, hardware or software failure relating to IT systems could significantly disrupt customer workflows and cause economic losses for which the Group could be held liable and which could damage its reputation. The Group is also subject to hacking or other attacks on its IT systems.

There is no assurance that it can successfully block and prevent all hacking or other attacks. As a result, failure to meet customers' IT demand or to protect against technological disruptions of operations of the Group or operations of its customers could materially and adversely affect its business, financial condition and results of operations.

1.6 The Group may suffer losses from its credit exposures

As at 31 December 2014 and 2015, the Group recorded trade receivables of approximately RM11.5 million and RM17.6 million, respectively, of which approximately RM6.0 million and RM8.6 million had been past due but not impaired as they were due from customers with no default history during the Track Record Period. The Group's business is subject to risks that customers or counterparties may delay or fail to perform their contractual obligations. During the Track Record Period, the Group did not experience any material difficulty in debt collections. There is no assurance that the Group will not experience any material difficulty in debt collections or potential default by customers in the future. While the Group's finance department monitors material overdue payments closely, there is also no assurance that the Group will be able to collect overdue payments. Any material non-payment or non-performance by customers or counterparties could adversely affect the Group's financial position, results of operations and cash flows.

1.7 The Group relies 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 its customers will continue to place orders with the Group, or that their future orders will be at a comparable level as in prior years. Even if the Group had made effort to diversify its customer base and attract new customers, it would take time and resources to develop relationship with the new customers, including reallocation of human

resources, adapting systems and procedures to meet any requirements of the new customers. 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.

1.8 The Group may be unable to sustain gross profit margin and net profit margin

The Group reported gross profit margin of approximately 22.2% and 25.1% during the Track Record Period; and net profit margin of approximately 6.4% and 8.4% during the Track Record Period. Comprehensive international freight services which constituted over 95% of the Group's total income for the Track Record Period is largely affected by factors such as market competition, global and local economic conditions and market demands for the Group's services, the fuel prices and other costs of sale. Given the integrated logistics services is highly sensitive to these factors, it is probable that the Group may suffer a low or even negative net profit margin due to a decrease in turnover and/or gross profit should the global economy be adversely affected. As such, there is no assurance that the Group will be profitable or be able to maintain positive gross profit margins or net profit margins in the future.

1.9 The Group may incur losses as a result of excess capacity of logistics facilities

The Group offers storage to its customers as part of the integrated logistics solutions services. In order to meet such requirements, the Group maintains its own warehouse and rented warehouses. Changes in the economic conditions in the specific industry sector for which the capacity is purchased or maintained and any decision by the Group's customers to terminate or not to renew their contracts may lead to excess warehouse capacity. If the Group is unable to use or sell the excess warehouse capacity that it owns or leases, it may incur losses and may also be required to record impairments on assets, which could materially and adversely affect the business, financial condition and results of operations.

1.10 The insurance of the Group may be insufficient to cover all losses associated with its business operations

The Group maintains insurance policies against loss or damage to its office and business interruption, public liability insurance, group personal accident insurance, and insurance against marine and road transit liabilities. The insurance coverage may be insufficient to cover all the risks associated with the Group's business and operations in the future. In the case of an uninsured loss or a loss in excess of insured limits, including those caused by natural disasters and other events beyond the Group's control, the Group may be required to pay for losses, damages and liabilities out of its own funds, which could materially and adversely affect its business, financial condition and results of operations. Even if the insurance coverage is adequate to cover its direct losses, the Group may be unable to take remedial actions or other appropriate measures. Furthermore, claim records of the Group may affect the premiums which insurance companies charge in the future.

1.11 The Group relies on key management personnel

The Group recognises that its success in the freight forwarding and logistics industry is dependent on its employees. Please refer to paragraphs 2.3 and 2.4 of the section headed "Business" in this document for further details. The Group recruits its employees based on their industry experience and interpersonal skills. The results of operations and business performance may be materially and adversely affected if the Group cannot retain their services and suitable replacement cannot be found in a timely and viable manner and on reasonable terms.

1.12 The Group may face difficulty in implementing its business strategies

The Group intends to further expand its business in major gateways of Malaysia and the scope of services to cover cross border trucking, haulage and rail freight. The Group will also strengthen the information technology systems and attract and retain talented and experienced employees. Moreover, the Group expects to grow the business strategically through business acquisitions or business collaboration.

Please refer to paragraph 3 of the section headed "Business" in this document for further details. The Group's business is based on circumstances currently prevailing and the assumptions that certain circumstances will or will not occur, and the risks inherent in various stages of the development of its business. There can be no assurance that the Group will be successful in implementing its business strategies in the future.

1.13 The Group's net profit for the year ending 31 December 2016 might be adversely affected by the [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].

1.14 The Group derives a significant portion of its revenue from international operations and are exposed to foreign exchange risk

The Group derives a 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. The Group entered into certain foreign currency forward contracts during the Track Record Period to mitigate the risk on foreign currency fluctuation against RM. However, significant volatility in foreign exchange rates may negatively affect the Group's results of operations and other comprehensive income.

1.15 Natural disasters, acts of God, wars, epidemics and other events may adversely affect the Group's operations

Natural disasters, acts of God, wars, epidemics, material interruptions in service or stoppages in transportation and other events which are beyond the Group's control may adversely affect local economies, infrastructures, airports, port facilities and international trade. They may also cause closure of ports or airports and disruptions to cargo flows, any of which could materially and adversely affect the Group's results of operations and financial position.

2. RISKS RELATING TO THE INDUSTRY

2.1 The Group operates in a highly fragmented and competitive industry

The logistics and/or freight forwarding market remains highly fragmented and competitive with little official oversight on the number and scale of firms throughout Malaysia. Industry players have estimated that in 2014, there had been approximately 10,000 logistics and/or freight forwarding establishments. 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 multinational players have more business resources in securing global servicing contracts with multinational companies, and thus are able to provide comprehensive services for freight forwarding, freight tracking and monitoring, and other distribution solutions.

The Group directly and indirectly competes with other integrated logistics service providers on a local, regional and international basis in the form of pricing, range of services provided, information technology and network of customers. Some of the Group's customers, being freight forwarders, face competition from overseas freight forwarders, logistics providers and express service providers. Any decline in their business will in turn reduce their use of the Group's services, which may materially and adversely affect the Group's business and financial condition. Increased competition may reduce the growth in the Group's customer base, reduce the Group's market share and result in higher sales and marketing expenses. There is no assurance that the Group will continue to compete successfully in the future, and if the Group fails to do so, its business, financial condition and results of operations would be adversely affected.

2.2 There is a low regulatory barrier to entry

The main barriers to entry for a company in the logistics and/or freight forwarding segment remain largely tied to the establishment requirements set out by the Customs Act 1967. For example, establishments that wish to perform customs brokerage services must first obtain a Customs Agent Licence from the Royal Customs Department of Malaysia. This licence was previously only made to domestic logistics service providers until 2008 when the International Integrated Logistics Services (IILS) scheme was introduced, allowing both domestic and international players to register, so long as they were qualified as IILS providers as defined by the Malaysian Investment Development Authority (MIDA).

Companies wishing to operate as container haulage operators, may no longer do so. With the opening up of borders within ASEAN as part of the implementation of ASEAN Free Trade Area, the government has since stopped issuing new container haulage license for new players, so as to be able to compete against additional foreign-based competition. There is no assurance that the government will continue to stop issuing new licenses for new players in the future. Any changes in laws that lower the barrier entry may increase overseas freight forwarders participation in local industry, posing risk of higher competition and lower profitability. Therefore, if the Group fails to compete effectively or maintain its competitiveness in the market, its business, financial condition and results of operation will be adversely affected.

2.3 An increase in fuel prices may reduce profitability

Fuel represents a sizable cost to the industry as it affects operations of companies through the land, sea and air freight rates and hence an increase in fuel prices may increase the Group's costs. Without a corresponding increase in freight rates, the Group's profitability may be adversely affected. The cost of fuel can fluctuate significantly and is subject to many economic and political factors that are beyond the Group's control, including but not limited to the political instability in oil-producing regions.

2.4 The Group's results of operations are affected by international trade volume, global and regional economic conditions

A majority of the Group's revenue is derived from transportation of cargo from or to Malaysia. The Group's results of operations are thus affected by global trade volume, in particular, the trade volume of Malaysia. The global trade volume and Malaysian trade volume are affected by changes or developments in global economic, financial and political conditions. The Group is also affected by economic cycles and changes in its customers' business cycles. Other factors, such as impositions of trade restrictions, sanctions, boycotts and other measures, trade disputes, currency appreciation or depreciation and work stoppages, particularly in the freight forwarding industry, could adversely affect Malaysian trade volume and lead to a material decline in the demand for the Group's services and the Group's results of operations may be adversely affected.

3. RISKS RELATING TO CONDUCTING BUSINESS IN MALAYSIA

3.1 Social, political, regulatory economic and legal developments, as well as any changes in Malaysian government policies, could materially and adversely affect the Group's business and operating results

The Group's business, prospects, financial condition and results of operations may be adversely affected by social, political, regulatory and economic developments in Malaysia. Uncertainties in these areas include, but not limited to, the risks of war, regional conflicts, terrorism, extremism, nationalism, nullification of contracts, changes in interest rates, imposition of capital controls, changes in government policies or introduction of new rules or regulations concerning logistics service providers, environmental or transportation regulations and methods of taxation. Any negative developments may adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's primary market is Malaysia. As Malaysia is expected to remain as the Group's core market and place of operation in the foreseeable future, negative developments in the Malaysian economy may have a material adverse effect on business. Although the overall Malaysian economic environment (in which the Group predominantly operates) appears to be positive, there can be no assurance that this will continue to prevail in the future.

The logistics industry is a part of the overall transport industry in Malaysia. The government of Malaysia may tighten regulations governing transport industry to reduce accidents or impose new regulations to curb air pollution or to meet the more stringent environmental requirements owing to its international commitments. It may expand the scope of existing regulations, tightens rules governing license renewal process or even impose requirements to install certain equipment; these new measures may limit the Group's flexibility to operate and may increase the Group's costs of doing business. The Group's failure to comply with such laws and regulations could also result in reprimand, penalties, compounds, fines and lawsuits.

Although the logistics industry is undergoing a liberation phase, there is no guarantee that the authorities will not impose shareholding restriction for licensing purposes in the future. The authorities may require that some percentage of shares in the Group be owned by Bumiputera native and such restriction may affect the ability to carry on the Group's business.

3.2 The Malaysian ringgit may be subject to foreign exchange controls imposed by Malaysian government in the future or may be subject to exchange rate fluctuations

The Central Bank of Malaysia has, in the past, intervened in the foreign exchange market to stabilise the Malaysian ringgit, and it pegged the Malaysian ringgit to the United States dollar in September 1998. On 21 July 2005, the Central Bank of Malaysia adopted a managed float system which benchmarked the Malaysian ringgit to a currency basket to ensure that the Malaysian ringgit remains close to its fair value. The Group cannot assure you that the Malaysian government will not impose more restrictive or additional foreign exchange controls. Any imposition, variation or

removal of exchange controls may lead to less independence in the Malaysian government's conduct of its domestic monetary policy and increased exposure of the Malaysian economy to the potential risks and vulnerability of external developments in the international markets.

Furthermore, fluctuations in the Malaysian ringgit's value against other currencies will create foreign currency translation gains or losses and may have an adverse effect on the Group's business, financial condition and results of operations. Any imposition, variation or removal of foreign exchange controls may adversely affect the value, translated or converted into United States dollars or Hong Kong dollars, of the Group's net assets, earnings or any declared dividends. Consequently, this may adversely affect the Group's ability to pay dividends or satisfy other foreign exchange requirements.

3.3 The Group's principal subsidiaries are incorporated in Malaysia and their main assets are located in Malaysia. It could be difficult to enforce a foreign judgment against the Malaysian Subsidiaries, the Directors or the management in Malaysia

The Group's principal subsidiaries are incorporated under the laws of Malaysia. The majority of the Directors and members of management are residents of Malaysia and a substantial portion of the assets and the assets of these Directors and management are located in Malaysia. Enforceability of certain foreign judgments in Malaysia is by virtue of the Reciprocal Enforcement of Judgments Act 1958, in which a foreign judgment must be registered before it can be enforceable. The registration of such foreign judgments is only possible if the judgment is given by a superior court from a country listed in the First Schedule of the Reciprocal Enforcement of Judgments Act 1958, which includes United Kingdom, Hong Kong, Singapore, New Zealand, Republic of Sri Lanka, India and Brunei Darussalam. In the event the foreign judgment is not from a country listed in the First Schedule of the Reciprocal Enforcement of Judgments Act 1958, the only method of enforcement at common law, is by securing a Malaysian judgment. As a result, it could be difficult to enforce a foreign judgment against the Malaysian Subsidiaries, the Directors and the management in Malaysia.

4. RISKS RELATING TO THE [REDACTED]

4.1 There has been no prior public market for the Shares, and the liquidity, market price and trading volume of the Shares may be volatile

Prior to the [REDACTED], there was no public market for the Shares. The [REDACTED] was determined as a result of negotiations between [the [REDACTED]] and the Company. The [REDACTED] may differ significantly from the market price for the Shares following the [REDACTED]. The Company has applied for the [REDACTED] of and permission to deal in the Shares on GEM. However, even if approved, being [REDACTED] on GEM does not guarantee that an active trading market for the Shares will develop following the [REDACTED] or that the Shares will always be [REDACTED] and [REDACTED] on GEM. There is no assurance to potential investors that an active trading market will develop or be maintained following the completion of the [REDACTED], or that the market price of the Shares will not decline below the [REDACTED].

The price and trading volume of the Shares may be highly volatile. Factors such as variations in the Group's revenue, earnings and cash flows and announcements of new investments, strategic alliances and/or acquisitions, fluctuations in market prices for products and services or fluctuations in market prices for comparable companies could cause the market price of the Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which the Shares will trade.

In addition, shares of other comparable companies listed on GEM have experienced substantial price volatility in the past, and it is likely that from time to time, the Shares will be subject to changes in price that may not be directly related to the Group's financial or business performance.

4.2 Investors for the Shares will experience dilution and may experience further dilution if the Group issues additional Shares in the future

The Group may need to raise additional funds in the future to finance expansion of or new developments relating to its existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro-rata basis to the existing shareholders, the percentage ownership of such shareholders in the Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the [REDACTED]. In addition, the exercise of options granted under the Share Option Scheme, if any, may have dilution effect to the existing shareholding.

4.3 Future sales by the Controlling Shareholders of a substantial number of the Shares disposals or dealings could materially and adversely affect the prevailing market price of the Shares

There is no assurance that the Controlling Shareholders will not dispose of or otherwise deal with their Shares following the expiration of their respective lock-up periods after completion of the [REDACTED]. The Group cannot predict the effect, if any, that any future disposals or dealings of Shares by any Controlling Shareholders, or the availability of Shares for disposals or dealings by any Controlling Shareholders may affect on the market price of the Shares. Disposals or dealings of substantial amounts of Shares by any Controlling Shareholders or the market perception that such disposals or dealings may occur, could materially and adversely affect the prevailing market price of the Shares.

5. RISKS RELATING TO STATEMENTS IN THIS DOCUMENT

5.1 Certain statistics and facts contained in this document have not been independently verified and should not be unduly relied upon

Certain statistics and facts in this document have been derived from various official government, publications and other sources, which may not be consistent with other information available. The Group believes that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Group has no reason to believe that such information is false or misleading in any material respect

or that any information has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by the Group, the Sponsor, the [REDACTED], the [REDACTED], any of their respective directors, advisers, agents, officers or representatives or any other person involved in the [REDACTED] and no representation is given as to its accuracy. Due to possibly flawed or ineffective methods of data collection or discrepancies between published information and market practice, the statistics in this document may be inaccurate or may not be comparable to statistics produced with respect to other economies. Further, the Group cannot give assurance that they are stated or compiled on the same basis or with the same degree of accuracy elsewhere. Therefore, you should not unduly rely upon certain statistics derived from such official government and other publications contained in this document.

5.2 Forward-looking statements involve assumptions which may not materialise

This document contains forward-looking statements in respect of the Group's business objectives, future business plans and the Directors' expectation of the market trend and uses forward-looking terminology such as "anticipate", "believe", "expect", "may", "would", "should" or "will". Such forward-looking statements involve assumptions regarding the environment in which the Group will operate in future. There are also uncertainties, risks and other unforeseen factors which may cause the Group's actual performance or achievements to be materially different from the performance or achievements implied by the forward-looking statements.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1. DIRECTORS

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Non-executive Director		
Mr. Tan Yee Boon (陳于文)	33–4, Casa Elita Jalan Sungei 2 Taman Seputih 58000 Kuala Lumpur Malaysia	Malaysian
Independent non-executive Directors		
Mr. Wong Siu Keung Joe (黃兆強)	Flat LA, 27/F, Tower 1 Diamond Hemera Tseung Kwan O New Territories Hong Kong	Chinese
Mr. Liew Weng Keat (廖永杰)	22/F, Pak Tak Building 51 Jardine's Bazaar Causeway Bay Hong Kong	Malaysian
Mr. Lee Kwok Tung Louis (李國棟)	Flat B, 16/F, Tower 1 Grand Promenade 38 Tai Hong Street Sai Wan Ho Hong Kong	Chinese

2. SENIOR MANAGEMENT

Name	Residential Address	Nationality
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Ms. Yeong Jiun Ruo	1 Jalan D' Alpinia 1 Taman D' Alpinia 47120 Puchong Selangor Malaysia	Malaysian

Please refer to the section headed "Directors, Senior Management and Staff" in this document for further information on the Directors and the senior management.

3. PARTIES INVOLVED IN THE [REDACTED]

Sponsor	Ample Capital Limited Unit A, 14th Floor Two Chinachem Plaza 135 Des Voeux Road Central Hong Kong
[[REDACTED]]	[●] [●] Hong Kong
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Legal advisers to the Sponsor and the [REDACTED]	*As to Hong Kong law:* [REDACTED]

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Property valuer	DTZ Nawawi Tie Leung Property Consultants Sdn Bhd Suite 34.01 Level 34 Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Malaysia
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Headquarters and principal place of business in Malaysia	No. 42, Jalan Puteri 2/2 Bandar Puteri Puchong 47100 Puchong, Selangor Darul Ehsan Malaysia
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Compliance officer	Mr. Lee Chooi Seng

Audit Committee	[Mr. Wong Siu Keung Joe] *(Chairman)* [Mr. Liew Weng Keat] [Mr. Lee Kwok Tung Louis]
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Nomination Committee	[Mr. Liew Weng Keat] *(Chairman)* [Mr. Lee Chooi Seng] [Mr. Wong Siu Keung Joe]
[REDACTED]	[REDACTED]
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The information that appears in this Industry Overview has been prepared by Euromonitor International Limited and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor International Limited should not be considered as the opinion of Euromonitor International Limited as to the value of any security or the advisability of investing in the Company. The Directors believe that the sources of information contained in this Industry Overview are appropriate sources for such information and have taken reasonable care in reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Euromonitor International Limited and set out in this Industry Overview has not been independently verified by the Group, the Sponsor, the Lead Manager, the Underwriters or any other party involved in the Share Offer and neither they nor Euromonitor International Limited give any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

1 EMI REPORT AND RESEARCH METHODOLOGY

The Company commissioned EMI, an independent market research company, to conduct an analysis of and produce the report on the freight forwarding and logistics industry in Malaysia. Established in 1972, EMI is a leading strategy research company for both consumer and industrial markets. It has offices around the world, analysts in 80 countries and 5,000 active clients, including 90% of the Fortune 500 companies. EMI received a total fee of US$45,500, which the Sponsor believes such reflects the market rate.

The Directors confirm that EMI, including all of its subsidiaries, divisions and units, is independent of and not connected with the Group in any way. EMI has given its consent to quote from the EMI Report and to use information contained in the EMI Report in this document.

The information contained in the EMI Report is derived by means of data and intelligence gathering methodology which includes: (i) desk research, (ii) primary research by interviewing leading industry participants and experts in Malaysia including trade associations, and (iii) the review of published sources, company reports including audited financial statements where available and independent research reports. Intelligence gathered has been analysed, assessed and validated using EMI's in-house analysis models and techniques.

The bases and assumptions for the projection in the EMI Report include the following:

- The Malaysian economy is expected to maintain steady growth over the forecast period;
- The Malaysian social, economic, and political environments are expected to remain stable during the forecast period;
- Key market drivers such as healthy trade performance and robust logistics facilities are expected to boost the development of the Malaysia's logistics and freight forwarding services market;

- Key drivers including the fruition of Malaysia's logistics sector masterplan, growing international trade performance and ongoing provision of integrated logistics solutions are likely to drive the future growth of the Malaysia's logistics and freight forwarding services market.

The research results may be influenced by the accuracy of these assumptions and the choice of these parameters. The market research commenced in December 2015 and was completed in [February] 2016. All statistics in the EMI Report are based on information available at the time of reporting; of which data in 2015 is estimated since official statistics for 2015 are not complete. EMI's forecast data is derived from an analysis of the historical development of the market, the economic environment, and underlying market drivers, and it is cross-checked against established industry data and trade interviews with industry experts.

2. DIRECTORS' CONFIRMATION

The Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the EMI Report which may qualify, contradict or have an impact on the information in this section.

3. OVERVIEW OF LOGISTICS INDUSTRY IN MALAYSIA

3.1 Market Overview

3.1.1 *Malaysia has earmarked logistics development as its strategy to greater economic growth*

Malaysia's logistics industry is especially important to the country as it facilitates growth in the overall Malaysian economy in general and export heavy trade sector in particular. The government also recognises knock-on benefits from a vibrant logistics industry such as increased business investment, higher employment rates, and reduction in the cost of doing business. The result of Malaysia's strategy to focus on the logistics industry was evident from the moderately high CAGR in sea freight (as indicated by the total cargo throughput at all ports) at 4.7% over the historic period.

Land freight in particular saw high growth rates in 2014 following the stronger domestic demand led by private sector investment while air freight posted a high growth rate of 7.6% in 2014.

Table 1 Logistics Industry in Malaysia, Historic (2010–2014)

	2010	2011	2012	2013	2014	CAGR 2010–2014
Freight traffic by rail ('000 tonnes)	5,431	5,914	6,096	6,622	7,136	7.1%
Container traffic by rail (TEUs)	238,251	282,352	331,870	343,395	318,033	7.5%
Freight traffic by road/feeder services ('000 tonnes)*	348,594	381,084	381,271	387,200	406,392	3.9%
Total cargo throughput at all ports ('000 tonnes)	448,606	495,023	497,843	508,196	539,232	4.7%
— Export cargo throughput ('000 tonnes)	182,961	198,290	197,878	203,063	210,295	3.5%
— Import cargo throughout ('000 tonnes)	170,253	187,997	188,656	189,868	202,260	4.4%
— Transhipment cargo throughput ('000 tonnes)	95,392	108,736	111,309	115,265	126,677	7.3%
Total cargo handled by airports (tonnes)	926,179	905,265	890,105	940,775	1,012,397	2.3%

Source: Ministry of Transport, Malaysia

**Source: EMI estimates*

3.1.2 *Malaysia's logistics sector ranks highly among ASEAN countries*

Malaysia ranked second among the ASEAN countries with a score of 3.6 out of 5 according to the World Bank's 2014 Logistics Performance Index (LPI). The LPI, which measures a country's logistics performance based on six categories namely, 1) efficiency of customs and border clearance, 2) quality of trade and transport infrastructure, 3) ease of arranging competitively priced shipments, 4) quality and competence of logistics services, 5) ability to track and trace consignments, and; 6) timeliness of consignment delivery, has been used by the government to benchmark Malaysia's logistics industry and potential trade performance against other countries in the region. Against fellow ASEAN countries except Singapore, Malaysia leads in all six measurements of the LPI.

Table 2 Logistics Performance Index (ASEAN region and Hong Kong), Historic (2010, 2012, 2014)

Overall Logistics Performance Index (LPI) Score	2010	2012	2014
Malaysia	3.4	3.5	3.6
Cambodia	2.4	2.6	2.7
Hong Kong	3.9	4.1	3.8
Indonesia	2.8	2.9	3.1
Laos	2.5	2.5	2.4
Myanmar	2.3	2.4	2.3
Philippines	3.1	3.0	3.0
Singapore	4.1	4.1	4.0
Thailand	3.3	3.2	3.4
Vietnam	3.0	3.0	3.2

Source: The World Bank

**Note: Overall logistics performance in Brunei is not available in The World Bank database*

3.1.3 *Eleventh Malaysia Plan aimed towards making Malaysia the preferred logistics gateway to Asia*

The government has pledged investments under the banner "Unleashing Growth of Logistics and Enhancing Trade Facilitation", targeting road, rail, and air services in an effort to improve productivity and efficiency. Policies under the Eleventh Malaysia Plan have therefore been charted towards new initiatives such as strengthening institutional and regulatory frameworks, improving last mile connectivity, deploying technology throughout the logistics chain, and developing human capital for the industry — all of which are geared towards making Malaysia the "preferred logistics gateway to Asia".

Malaysia is now a member of the recently concluded Trans-Pacific Partnership (TPP) consisting of 11 other countries (New Zealand, Australia, Chile, Mexico, Japan, Peru, Canada, Vietnam, Singapore, and Brunei) which together with Malaysia, represent nearly 40% of global GDP worth USD 30 trillion (RM 124 trillion).

Despite the present lacklustre activity in the logistics industry as a result of dampening international factors, industry players remain optimistic that the inception of the ASEAN Economic Community (AEC) is likely to propel growth opportunities for the logistics industry. The integration of South-east Asia's diverse economies into a single market with 625 million people and a combined gross domestic product of USD 2.5 trillion in 2014 will signify more opportunities for freight forwarding and logistics service providers. Coupled with ASEAN members coming together to enhance infrastructure and communications connectivity, develop electronic transactions through the e-ASEAN framework, and integrate industries through promotion of regional resourcing, freight forwarding and logistics growth is hence expected to benefit and enable greater speed of delivery of goods. The opening up of the borders among the ASEAN countries and the upgrading of the railway track to the electrified double-tracking from the border of Thailand to Penang and Kuala Lumpur is expected to shorten the transportation time and reduce costs, hence opening up growth potential for increased cross border trades. With free movement of goods, services, investment, skilled labour and free flow of capital in the ASEAN region, cross border trade and services will surge, which will bode demand for logistics and freight forwarding providers. Among the strategies outlined in the masterplan which would enhance the capabilities of logistics service providers, domestically, the government is also looking to intensify the use of technology and provide better connectivity to port entry points. It is expected that the government will be looking to improve trade facilitation mechanisms such as cargo clearance systems, paperless trading and security trade documents. Industry players do however point out that such optimism remains couched against a backdrop of uncertainties and piecemeal progress at the government and interregional level which may tamper growth in the early years of the forecast period. The industry however is confident that once international and domestic frameworks have fallen into place, logistics activity is expected to rise.

3.2 Freight Forwarding Service in Malaysia

3.2.1 *Healthy revenue receipts in the logistics and freight forwarding services in Malaysia*

Overall revenue receipts of logistics services and freight forwarding services in Malaysia amounted to RM 30,104 million and RM 15,654 million in 2014, representing a CAGR of 4.7% and 3.2% respectively. Growth was mainly supported by the ongoing trend towards outsourcing of logistics to logistics and/or freight forwarding companies and growth in global trade during the historic period. Given that the core of freight forwarding operations revolves mainly around the facilitation and/or movement of goods both within and out of the country, Malaysia's logistics and freight forwarding sector typically mirrors the performance of a healthy trade environment. Overall, healthy trade performance, continued operations of Malaysia's ports, in particular, Port Klang, which remains one of Malaysia's largest container port in the country, handling about 217 million tonnes in 2014, as well as Malaysia's membership to ASEAN community (providing greater liberalisation of trade) bolstered the growth in revenues for the historic period.

Table 3 Logistics Services and Freight Forwarding Service Segment in Malaysia, Historic (2010–2014)

	2010	2011	2012	2013	2014	CAGR 2010–2014
Revenue receipts accrued by logistics service providers (RM million)	25,076	25,664	26,300	28,292	30,104	4.7%
Growth	—	2.3%	2.5%	7.6%	6.4%	—
Revenue receipts accrued by freight forwarding service providers (RM million)	13,792	13,936	14,123	14,967	15,654	3.2%
Growth	—	1.0%	1.3%	6.0%	4.6%	—

Source: EMI estimates

3.2.2 *Typical business models for freight forwarders are changing to accommodate increased competition*

The most typical business model for freight forwarders in Malaysia consists of arranging or organising shipments for transport from one point to another coupled with customs brokerage services. While customs brokering is almost always done in-house, smaller companies without the necessary transport or storage assets would act solely as coordinators in the entire process. Larger industry players on the other hand could provide parts of the forwarding service in-house such as ground transport delivery, and even other logistics services such as warehousing.

However, the increasing competition in a highly fragmented market has pushed freight forwarders in Malaysia to adjust their business models towards 'one-stop' solutions, i.e. integrated logistics operations for the companies' needs. Beyond freight forwarding, these 'one-stop' logistics services offer a range of value-added services such as customs brokerage, warehousing, transportation, document managing, shipment tracking, etc., at reduced prices due to the economies of scale generated by the business model. Further, freight forwarders which operate on a non-carrier-operating model are able to reap higher revenues as they are able to provide flexibility in creating and delivering a wide range of logistics solutions at minimal capital expenditure (without fleet acquisition and maintenance costs).

4. COMPETITIVE LANDSCAPE

4.1 Malaysia's freight forwarding industry remains highly fragmented

The logistics and/or freight forwarding industry remains highly fragmented and competitive with little official oversight on the number and scale of firms throughout Malaysia. Industry players have estimated that in 2014, there had been 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 affiliated to the Federation of Malaysian Freight Forwarders (FMFF)). 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 multinational players have more business resources in securing global servicing contracts with multinational companies, and thus are able to provide comprehensive services for freight forwarding, freight tracking and monitoring, and other distribution solutions. The Malaysian government expects that the industry will move towards greater consolidation. Freight forwarding and logistics companies are encouraged to provide integration across various transport intermediaries along the logistics supply chain in Malaysia. This consolidation will allow the companies to compete with the multinational firms on a more equal footing.

4.2 Barriers to Entry

The main barriers to entry for a company in the logistics and/or freight forwarding segment remains largely tied to the establishment requirements set out by the Customs Act 1967. For example, establishments that wish to perform customs brokerage services must first obtain a Customs Agent licence from the Royal Malaysian Customs Department. This licence was previously only made to domestic logistics service providers until 2008 when the International Integrated Logistics Services (ILLS) scheme was introduced. It is now open to ILLS providers without any restrictions on equity, so long as they are qualified as ILLS providers as defined by the Malaysian Investment Development Authority (MIDA).

Companies wishing to operate as container haulage operators, may no longer do so. With the opening up of borders within ASEAN as part of the implementation of ASEAN Free Trade Area, the government has since stopped issuing new container haulage licence for new players, so as to be able to compete against additional foreign-based competition.

4.3 The Group is a versatile player with niche competencies in security solutions

The Group was established in 1999 as a logistics solutions provider with its core business in both international freight forwarding and logistics service provision. The wide range of value-added services offered by the Group from supply chain management to warehousing and transport services put it among the growing list of logistics providers and freight forwarders that are consolidating various functions and requirements of the logistics supply chain under one roof. This has become the preferred mode of logistics provision by the government, given the policy thrusts aiming at greater consolidation within the sector.

Security and tracking services in particular puts the Group above a large number of logistics service providers which continue to outsource these functions to industry specialists rather performing them in-house. With growth in the volume of higher-value goods flowing in and out of the region, coupled with developments in the AEC, the Group has an underlying competitive advantage in capturing business opportunities to increase its revenues.

5. FUTURE OPPORTUNITIES AND THREATS TO THE LOGISTICS INDUSTRY

5.1 Key Drivers, Trends and Opportunities

5.1.1 *International trade has been a staple of the logistics industry's development*

With Malaysia relying heavily on exports to drive economic growth especially in the manufacturing, and oil and gas industries, the external performance of these sectors have driven the success of the logistics and in particular the freight forwarding industry. Nevertheless the performance of the logistics industry is not solely tied to exports, where in recent years, high domestic demand has played an increasingly bigger contribution to the sector. The demand of freight forwarding services is highly correlated to the volume of cargo transported inward to or outward from Malaysia. The sustainably high volume of cargo also creates demand for storage of goods, which further supports the provision of other logistics services, such as warehousing service.

5.1.2 *Robust transport infrastructure key to enhancing logistics growth*

In order to facilitate growth, Malaysia has developed a robust transport infrastructure that supports the logistics and freight forwarding industry. This effort led to Malaysia being rank 14 out of 138 countries in the World Economic Forum's "Global Enabling Trade Report 2014" for availability and quality of transport infrastructure. In another report "2016 Agility Emerging Markets Logistics Index", which ranks emerging markets based on size, business conditions, infrastructure and other factors that make them attractive to logistics providers, freight forwarders, shipping lines, air cargo carriers, Malaysia was ranked 4 out of 45 emerging markets, further recognising the government's drive to develop a world-class infrastructure and transport network. With public spending on transportation growing from RM 14 billion in 2009 to RM 18 billion in 2015 and further structural improvements to its transportation linkages in road, rail

and air services, it is expected that the industry will be positively impacted. These include 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. It is expected that an improved transport infrastructure can bring opportunities to the freight forwarding industry.

5.2. Market Constraints & Threats

5.2.1 *Weak exchange rate threaten sectoral performance*

One of the underlying constraints in the freight forwarding industry is the practice of purchasing freight space in international currency. This has become especially important for Malaysia in 2015 as it hit its record lowest rate against the US dollar in September 2015. With private sector investors shaken by the ongoing domestic uncertainties, exchange rate fluctuations continue to pose a risk for the freight forwarding industry.

Malaysia's exchange rate began its decline against the US dollar in 2011 dropping 1.9% in 2013 and a further 3.8% in 2014 due to weaker commodity prices and domestic uncertainties. While industry players note that the cheaper RM will boost demand for exports, there are also concerns that the continued weakening of RM would impact the overall revenues of freight forwarders as the price of international freight space on export-bound cargo will continue to rise, particularly in the long-haul routes (e.g. US, Europe, United Kingdom) against which countries the RM is weaker relative to. Nevertheless, it is expected that this risk is partly mitigated by passing the cost on to consumers whenever possible.

Table 4 Exchange rate of RM per USD, Historic (2010–2014)

	2010	2011	2012	2013	2014
Exchange rate of RM per USD	3.22	3.06	3.09	3.15	3.27

Source: The WorldBank

5.2.2 *Regulatory and policies constraints for players*

The government has recently imposed a demerit system which will come into effect on 1 April 2016 for errant customs agents. Customs agents will have their licences revoked should they accumulate 20 demerit points for offences such as under-valuation of goods, wrong use of codes, and tax evasion. While incremental, the demerit point system would deter customs brokers from misusing the license when carrying out services for customers.

Existing players are also required to renew their licenses pertaining to freight forwarding and/or customs clearance and shipping services after 2-3 years. These are subjected to the approval of the Royal Malaysian Customs Department.

The largest constraint that hindered a faster development of the logistics industry in Malaysia during the historic period lay in the lack of coordination at the policy level among the various agencies tasked with overseeing its development. Despite the launch of the "Third Industrial Masterplan" (IMP3) in 2006 which had already earmarked logistics as a key growth sector, the Ministry of Transport (MOT) noted that it was not until the creation of the "Logistics and Trade Facilitation Masterplan" in 2015, that the industry started seeing minor improvements.

5.3 Future Outlook

With exports projected to rise over the forecast period due to Malaysia's weaker exchange rate, falling oil prices, and gradually recovering markets in Europe, Malaysia's logistics and freight forwarding industry is expected to post relatively higher growth over the forecast period with a CAGR of 6.0% and 5.1% respectively. Year-on-year (y-o-y) growth rates are also expected to be higher than the historic period as several policies from the government's logistics masterplan come into fruition, and greater consolidation takes place within the logistics sector. Nevertheless, logistics growth is expected to rise faster than freight forwarding over the forecast period as external and internal factors could possibility complicate the benefits that greater export numbers might bring to the freight forwarding industry.

Table 5 Logistics Services and Freight Forwarding Service Segment in Malaysia, Forecast (2015–2019)

	2015	2016	2017	2018	2019	CAGR 2015–2019
Revenue receipts accrued by logistics service providers (RM million)	31,732	33,776	35,638	37,640	40,030	6.0%
Growth	5.4%	6.4%	5.5%	5.6%	6.4%	—
Revenue receipts accrued by freight forwarding service providers (RM million)	16,405	17,226	18,104	19,046	20,055	5.1%
Growth	4.8%	5.0%	5.1%	5.2%	5.3%	—

Source: EMI estimates

5.3.1 *Continued investments in infrastructure*

Infrastructure has been a core part of the Malaysian government's development policies and is also a key contributing factor to the success of Malaysia's logistics sector. Massive investments in recent large infrastructure projects, such as the construction of Kuala Lumpur International Airport, the East Coast Expressway and several rapid transit

lines are expected to boost growth for the sector as freight forwarding companies can capitalise on these transport networks and boost Malaysia's reputation as a distribution and transhipment hub for domestic, regional and international movement of goods.

On the rail freight transport front, the government is looking to implement a new freight line to divert cargo trains from traffic congested city areas such as Kuala Lumpur Sentral in Brickfields and Kuala Lumpur to Port Klang and Seremban. The new development of an electrified double-track rail for rail freight transport is expected to bring about an increase of cargo capacity to 20 million tonnes by the year 2035 as compared to the 5 million tonnes on average presently. Alongside other construction rail freight transport project, such as a link from Sungai Buloh to the Subang Skypark bypass line, the rail freight transport is expected to grow healthily, contributing to overall positive outlook for the overall logistics and freight forwarding industry.

Overall, the government's commitment to developing and upgrading its infrastructure is set to expand opportunities for logistics providers and freight forwarders.

5.3.2 ***The AEC has potential to bring growth to the sector***

Malaysia's sense of urgency in bringing its logistics sector up to speed with stronger competitors in the region has largely been driven by its need to prepare the sector for the eventual AEC Blueprint 2025, which will consist mainly of guidelines toward greater economic consolidation and connectivity. This development will invariably affect the region's logistics hubs as the Blueprint is expected to bring about greater trade facilitation.

Individual ASEAN countries have already begun putting in place national policies to shore up their country's competitiveness as part of their overall development drive, and in preparation for the AEC. Such measures are likely to lead to higher volume of goods moving both within and out of the region which will have a significant impact on the growth of the Malaysian logistics and freight forwarding industry in the forecast period. Industry reports on investing in ASEAN note how in particular that high-value electronics goods have begun to take on greater emphasis in these countries' development plans. In part, this has been driven by the e-ASEAN Framework Agreement signed in 2000, which aims to grow the regional development of e-commerce, liberalise and facilitate trade in information and communications technology, among other strategic goals. Malaysia's electrical and electronics industry is leading the manufacturing sector, contributing significantly to the country's exports at 37.5% of total goods exports in 2014, highlighting its competitiveness in advanced manufacturing technologies.

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. We have set out below a summary of salient Malaysian legal and regulatory provisions and licensing requirements that have a material impact to our business operations. As it is in the form of a summary, it does not contain all legal and regulatory provisions that may be applicable to our business operations in Malaysia. Any investor who wishes to have a detailed description of the laws of Malaysia in relation to our 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. We are 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. 10000022/15) 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.

In respect to (i) as stated above, Worldgate Express has on 30 June 2014 acquired the status of IILS 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 Zone 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.

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, our 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 our 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

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; and (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, 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.

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) Temporary Business and Advertisement Licence No. 01021014955620158 dated 17 February 2015 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 9 December 2015 to 8 June 2016;

(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 Business and Advertisement Licence No. KOM00002044 dated 6 January 2016 issued by MPPP 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, Lebuh Sungai Pinang 5, 11600 Georgetown, Penang, Malaysia which is valid from 6 January 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 13 October 2015 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 13 October 2015 to 12 April 2016.

(v) ***Trades, Business and Industries (District Council of Seremban ("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. L0016280-0 dated 8 January 2016 issued by MPS to Mr. Chin on behalf of Worldgate Express for the premises occupied by Worldgate Express as office and truck depot at Lot 27437, Jalan BBN 5/2A, Desa Jasmin, Bandar Nilai Utama, 71800 Nilai, Negeri Sembilan, Malaysia which is valid from 1 January 2016 to 31 December 2016.

(vi) ***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.

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.

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 our 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 our 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 our 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.

1. BUSINESS DEVELOPMENT

1.1 Introduction

The Group's history can be traced back to November 1999 when Loo Cheng Pin and Loo Cheng Kwan, being the founders of the Group, became shareholders of Worldgate Express. Mr. Lee and Mr. Chin were appointed as directors of Worldgate Express on 3 March 2000 and 13 July 2001 respectively and they became its shareholders in July 2001 and February 2000 respectively. To the best of the Directors' knowledge, the founders are Independent Third Parties who founded the Group with their personal funds and left the Group in around 2006 to pursue their own personal business.

Since then, Mr. Lee and Mr. Chin's vision has been to maintain a hands-on approach and to provide quality and a wide range of logistics solutions, comprising of international freight services, transportation services and warehousing services, to their customers. Since then, the Group and Mr. Lee have won various awards as recognition of his outstanding achievements. For the background and relevant experience of Mr. Lee and Mr. Chin, the executive Directors, please refer to the section headed "Directors, Senior Management and Staff" in this document for further details.

1.2 Business milestones

The key milestones in the development of the Group are as follows:

2002	Became a member of Selangor Freight Forwarding & Logistics Association (formerly known as Association of Forwarding Agents Port Klang)
2005	Obtained truck A permits from Lembaga Pelesenan Kenderaan Perdangangan (Land Public Transport Commission) for the commercial transportation of goods
2008	Became a life member of the Branding Association of Malaysia
2009	Obtained ISO 9001:2008 Provision for Air Freight, Sea freight, Trucking & Warehousing (Logistics) Services
	Mr. Lee was awarded CEO Of The Year by Global Forwarding Partners Inc
2010	Appointed by a renowned multinational forwarder, Company F, as a Regional Service Provider
	Awarded the "Best Brand in Global Logistics 2010" by Global Forwarding Partners Inc
	Awarded Asia Pacific Top Excellence Brand 2010/2011

2011	Became a member of International Federation of Freight Forwarders Associations
	Awarded the "Best Brand in Logistics, E-Freight & Technology" by Global Forwarding Partners Inc
2012	Awarded the "Most Incremental Business Award 2011" by ECU Air
	Received a letter of support from Port Klang Authority of Malaysia recommending the Group to other companies for its professional services
2013	Became an International Air Transport Association member
2014	Awarded the "The BrandLaureate Signature Brand Award — Services Logistic Solutions" by Asia Pacific Brands Foundation
2015	Awarded the "Top 10 GFP Partner" by GFP Global Forwarding Partners Inc
2015	Awarded the "ASEAN Transport and Logistics Award" by Centre for ASEAN Logistics Studies
2015	Awarded ISO 9001:2008 (UKAS, DSM) in provision of air freight, sea freight, trucking and warehousing (logistics) services by Bureau Veritas Certification Holding SAS
2016	Awarded the "SMEs Best Brands Award in Logistics — Brand of the Year 2015–2016" by The BrandLaureate

2. CORPORATE HISTORY

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 18 February 2016. As at the Latest Practicable Date, the Company had an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of par value of HK$0.01 each. As part of the Reorganisation, the Company became the ultimate holding company of the Group.

A summary of the corporate history of the Group's major operating subsidiaries is set out below:

2.1 Worldgate Express

On 25 November 1999, Worldgate Express was incorporated in Malaysia with an authorised capital of RM100,000 divided into 100,000 shares of par value of RM1.00 each, of which two shares were allotted and issued to Loo Cheng Pin and Loo Cheng Hwan (as to one share each), for cash at par value on the same date. Worldgate Express commenced business on 3 January 2000.

On 18 February 2000, Worldgate Express allotted and issued 194,999 shares, 194,999 shares and 10,000 shares to Loo Cheng Pin, Loo Cheng Hwan and Mr. Chin respectively, for cash at par value on the same date.

On 13 July 2001, Loo Cheng Hwan transferred 30,000 shares and 45,000 shares to Mr. Chin and Mr. Lee each at par value, which were paid in cash, on the same date respectively.

On 31 October 2003, Loo Cheng Hwan transferred 40,000 shares each to Mr. Chin and Mr. Lee respectively for cash at par value on the same date. On the same date, Loo Cheng Pin transferred 35,000 shares to Mr. Lee at par value, which was paid in cash on the same date.

On 11 May 2004, Loo Cheng Hwan transferred 18,000 shares to Loo Cheng Pin for cash at par value on the same date.

On 12 May 2004, Worldgate Express allotted and issued 75,000 shares, 45,000 shares and 30,000 shares to Loo Cheng Pin, Mr. Lee and Mr. Chin respectively for cash at par value on the same date.

On 29 December 2004, Loo Cheng Hwan transferred 22,000 shares to Loo Cheng Pin at par value which was paid in cash on the same date.

On 15 November 2006, Loo Cheng Pin transferred 165,000 shares and 110,000 shares to Mr. Chin and Mr. Lee each at par value, which were paid in cash, on the same date respectively.

On 25 March 2009, Worldgate Express allotted and issued 225,000 shares each to Mr. Lee and Mr. Chin respectively for cash at par value on the same date.

On 3 April 2014, Worldgate Express allotted and issued 2,000,000 shares and 2,000,000 shares to Mr. Lee and Mr. Chin respectively, paid by capitalisation of accumulated profits at par value on the same date.

As at the Latest Practicable Date and upon completion of the Reorganisation, Worldgate Express will be an indirect wholly-owned subsidiary of the Company and principally engaged in provision of international freight forwarding and logistics services.

2.2 My Forwarder

On 6 May 2005, My Forwarder was incorporated in Malaysia with an authorised capital of RM100,000 divided into 100,000 shares of par value of RM1.00 each, of which 85 shares and 15 shares were allotted and issued to Mohd Kassim Bin Redzuan and Tan Chor Eng, both being Independent Third Parties, respectively, for cash at par value on the same date. My Forwarder commenced business on 6 June 2005.

On 19 June 2005, Tan Chor Eng transferred 10 shares and five shares to Mohd Kassim Bin Redzuan and Ooi Ching Hai, being an Independent Third Party, for cash at par value on the same date respectively.

On 23 June 2005, My Forwarder allotted and issued 94,905 shares and 4,995 shares to Mohd Kassim Bin Redzuan and Ooi Ching Hai respectively, for cash at par value on the same date. On the same date, Ooi Ching Hai declared that all shares held by him are held on trust for Mr. Lee. On the same date, Mohd Kassim Bin Redzuan declared that all shares held by him are held on trust for Mr. Lee as to 38,000 shares, Mr. Chin as to 42,000 shares and Lam Yen Ling, an Independent Third Party, as to 15,000 shares.

Subsequent to various allotments and transfers and on 1 July 2011, Mr. Lee and Mr. Chin beneficially owned as to 250,000 shares each.

Later on 3 April 2014, My Forwarder allotted and issued 250,000 shares each to Mr. Lee and Mr. Chin respectively, paid by capitalisation of accumulated profits at par value on the same date.

As at the Latest Practicable Date and upon the Reorganisation, My Forwarder will be an indirect wholly-owned subsidiary of the Company and principally engaged in provision of international freight forwarding and logistics services.

2.3 Freight Transport

On 8 January 2010, Freight Transport was incorporated in Malaysia with an authorised capital of RM100,000 divided into 100,000 shares of par value of RM1.00 each, of which one share each was allotted and issued to Chan Kah Chong (an Independent Third Party), Mr. Lee and Mr. Chin beneficially respectively, for cash at par value on the same date. Freight Transport commenced business on 8 January 2010.

On 1 March 2010, Freight Transport allotted and issued 33,999 shares, 32,999 shares and 32,999 shares to Chan Kah Chong, Mr. Lee and Mr. Chin beneficially respectively, for cash at par value on the same date.

On 22 March 2011, Freight Transport allotted and issued 40,000 shares, 30,000 shares and 30,000 shares to Chan Kah Chong, Mr. Lee and Mr. Chin beneficially respectively, for cash at par value on the same date.

On 1 July 2011, Freight Transport allotted and issued 39,000 shares, 36,000 shares and 25,000 shares to Mr. Lee, Mr. Chin and Chan Kah Chong respectively, for cash at par value on the same date.

On 12 December 2012, Chan Kah Chong transferred 99,000 shares to Mr. Chin for cash at par value on the same date.

On 1 March 2013, Mr. Chin transferred 48,000 shares to Mr. Lee for cash at par value on the same date.

On 6 December 2013, Freight Transport allotted and issued 50,000 shares each to Mr. Lee and Mr. Chin respectively, for cash at par value. On 18 August 2014, Freight Transport allotted and issued 300,000 shares each to Mr. Lee and Mr. Chin respectively, paid by retained profit on the same date.

As at the Latest Practicable Date and upon the completion of the Reorganisation, Freight Transport will be an indirect wholly-owned subsidiary of the Company and principally engaged in provision of international freight forwarding and logistics services.

2.4 Worldgate Haulage

On 18 February 2016, Worldgate Haulage was incorporated in Malaysia with an authorised capital of RM500,000 divided into 500,000 shares of par value of RM1.00 each, of which 100 shares were allotted and issued to Mr. Lee and Mr. Chin (as to 50 shares each), for cash at par value on the same date. As at Latest Practicable Date, Worldgate Haulage has not yet commenced business.

On 22 February 2016, Worldgate Haulage allotted 499,900 shares to Worldgate Express for cash at par value on the same date.

As at the Latest Practicable Date and upon the completion of the Reorganisation, Worldgate Haulage will be an indirect wholly-owned subsidiary of the Company.

3. [REDACTED] INVESTMENT

3.1 Overview

On 28 October 2015, Worldgate International entered into a [REDACTED] with Mr. Lee and Mr. Chin as guarantors, Upright Plan as subscriber, pursuant to which Upright Plan 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 Upright Plan for a total cash consideration of HK$[REDACTED] (the "[REDACTED]").

On 28 October 2015, Worldgate International entered into the a [REDACTED] with Mr. Lee and Mr. Chin as guarantors, Champion Ascent as subscriber, pursuant to which 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 Champion Ascent for a total cash consideration of HK$[REDACTED] (the "[REDACTED]").

3.2 Details of [REDACTED] Investment

Date of the relevant agreement	[REDACTED] (and its ultimate beneficial owner(s))	Aggregate consideration paid under the [REDACTED] Investments	Basis of consideration	Date of completion (and settlement of full payment) of the [REDACTED] Investments	Approximate percentage of shareholdings in the Company after [REDACTED] Investment	Approximate percentage of interests in the Company upon [REDACTED] (without taking into account any Shares that may be allotted and issued upon exercise of the [REDACTED] and/or any options to be granted under the Share Option Scheme)	Approximate cost of investment per Share upon [REDACTED]	Approximate percentage of discount to the [REDACTED] of [REDACTED]
28 October 2015	Upright Plan (Mr. Gan)	HK$[REDACTED]	Business valuation of the Group as at 31 December 2014 and a multiple EBITDA for 31 December 2014	2 February 2016	13%	[REDACTED]	[REDACTED]	[REDACTED]%
28 October 2015	Champion Ascent (Mr. Gan as to 40% and Mr. Chang as to 60%)	HK$[REDACTED]	Business valuation of the Group as at 31 December 2014 and a multiple EBITDA for 31 December 2014	28 January 2016	13%	[REDACTED]	[REDACTED]	[REDACTED]%

3.3 Beneficial owners of [REDACTED]

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Upright Plan is wholly and beneficially owned by Mr. Gan, who is a passive investor acquainted with Mr. Lee through a member of his family whom he has known for approximately four years. Mr. Gan has worked in the financial services sector in Hong Kong for more than 10 years. Upright Plan and Mr. Gan are independent of and not connected with the Group and/or any connected person(s) of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Champion Ascent is beneficially owned by Mr. Gan as to 40% and Mr. Chang as to 60%, who are passive investors. Mr. Chang is a long time acquaintance of Mr. Gan and is independent of and not connected with the Group and/or any connected person(s) of the Company.

3.4 Benefits of the introduction of the [REDACTED]

In light of the Group's needs for additional capital to finance its growing business and the expenses incurred during the preparation of the [REDACTED], the Group is of the view that the investment made by Champion Ascent and Upright Plan serve the purpose of fund raising. In addition, since Mr. Gan, the shareholder of Upright Plan, has work experience in Hong Kong listed companies and financial sectors, the Group believes that their investment in the Group would boost the confidence of potential public investors.

3.5 Basis of consideration

The terms of the [REDACTED] and the [REDACTED] were arrived at after arm's length negotiations among the parties and the consideration paid by Champion Ascent and Upright Plan thereunder was determined with reference to the business valuation of the Group as at 31 December 2014 and a multiple of EBITA for 31 December 2014. The [REDACTED] from the [REDACTED] and the [REDACTED] will be used to partially finance the Group's costs of borrowing and for general working capital of the Group.

3.6 Rights of the [REDACTED] Investments

3.6.1 *[REDACTED]*

Call Option

Under the [REDACTED], Upright Plan granted Mr. Lee and Mr. Chin the right (the "Option") to require Upright Plan to sell the shares in Worldgate International (the "Option Share(s)") to Mr. Lee and Mr. Chin at the option price of the cost of investment less one-half of the [REDACTED].

The Option may be exercised in whole but not in part by Mr. Lee or Mr. Chin at any time after 30 December 2016 provided that a [REDACTED] of the shares of the Company does not materialise other than as a result of a default event. For the purpose of the Option, a default event means the inability to conduct the [REDACTED] due to reasons of (i) unsuitability of the Controlling Shareholders and/or the Directors as a result of events/actions, regulatory sanctions or reprimands leading to such person unsuitable to be a director or controlling shareholder of a listed company; or (ii) undisclosed material breaches of any member of the Group of laws and regulations (i.e. including but not limited to tax, licences, mandatory provident fund, misleading financials); or (iii) the Group is unsuitable for [REDACTED] because of the inability to meet the relevant positive cash flow requirements from operating activities (in the ordinary and usual course of business before changes in working capital and taxes paid) carried out by the Group for the two financial

years ending 31 December 2015 as determined by the reporting accountant for the [REDACTED]; or (iv) Mr. Lee and Mr. Chin cease to proceed with the [REDACTED] for whatever reason (a "Default Event").

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Default Event had occurred since the entering into of the [REDACTED] and up to the Latest Practicable Date.

Return of Consideration

The Company, Mr. Lee and Mr. Chin have undertaken to Upright Plan that in the event that the [REDACTED] does not materialise by 31 December 2016 as a result of a Default Event, then either Mr. Lee or Mr. Chin shall acquire the Shares subscribed by Upright Plan for an amount equal to HK$[REDACTED] and for a Default Event arising from Mr. Lee and Mr. Chin cease to proceed with the [REDACTED] for whatever reason, then will add interest on the said amount at the rate of 20% per annum prorated or the Company shall, subject to compliance with relevant laws and requirements, repurchase the Shares subscribed by Upright Plan at the said amount plus interest on the said amount at the rate of 20% per annum prorated. Such acquisition or repurchase shall take place as soon as possible after 31 December 2016.

Lock-up

Upright Plan has undertaken to the Company and the [REDACTED] that the Shares held by it will be subject to a lock-up period of six months from the [REDACTED]. Please refer to paragraph 2.4 of the section headed "[REDACTED]" in this document for details of the undertaking given by Upright Plan Limited.

[REDACTED]

As Upright Plan is deemed to be a substantial shareholder of the Company (as defined under the GEM Listing Rules) by virtue of Mr. Gan holding a 40% interest in Champion Ascent and 100% of Upright Plan, the Shares held by Upright Plan will not be considered as part of the [REDACTED] for the purpose of Rule 11.23 of the GEM Listing Rules.

The Sponsor has confirmed that the investments by Upright Plan are in compliance with (i) the "Interim Guidance on [REDACTED] Investments" issued by the [REDACTED] as the considerations for those investments were all settled more than 28 clear days before the date of the first submission of the [REDACTED] application form to the Stock Exchange in relation to the [REDACTED]; and (ii) the "Guidance on [REDACTED] investments" (GL43-12) issued by the [REDACTED] as the special rights enjoyed by Upright Plan will terminate upon [REDACTED].

As the Company did not issue any convertible instruments to Upright Plan, the "Guidance on [REDACTED] investments in convertible instrument" (GL44-12) issued by the [REDACTED] does not apply.

3.6.2 ***[REDACTED]***

Call Option

Under the [REDACTED], Champion Ascent granted Mr. Lee and Mr. Chin the right (the "Option") to require Champion Ascent to sell the shares in Worldgate International (the "Option Share(s)") to Mr. Lee and Mr. Chin at the option price of the cost of investment less one-half of the [REDACTED].

The Option may be exercised in whole but not in part by Mr. Lee or Mr. Chin at any time after 31 December 2016 provided that a [REDACTED] of the shares of the Company does not materialise other than as a result of a default event. For the purpose of the Option, a default event means the inability to conduct the [REDACTED] due to reasons of (i) unsuitability of the Controlling Shareholders and/or the Directors as a result of events/actions, regulatory sanctions or reprimands leading to such person unsuitable to be a director or controlling shareholder of a listed company; or (ii) undisclosed material breaches of any member of the Group of laws and regulations (i.e. including but not limited to tax, licences, mandatory provident fund, misleading financials); or (iii) the Group is unsuitable for [REDACTED] because of the inability to meet the relevant positive cash flow requirements of from operating activities (in the ordinary and usual course of business before changes in working capital and taxes paid) carried out by the Group for the two financial years ending 31 December 2015 as determined by the reporting accountant for the [REDACTED]; or (iv) Mr. Lee and Mr. Chin cease to proceed with the [REDACTED] for whatever reason (a "Default Event").

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Default Event had occurred since the entering into of the [REDACTED] and up to the Latest Practicable Date.

Return of Consideration

The Company, Mr. Lee and Mr. Chin have undertaken to Champion Ascent that in the event that the [REDACTED] does not materialise by 31 December 2016 as a result of a Default Event, then either Mr. Lee or Mr. Chin shall acquire the Shares subscribed by Champion Ascent for an amount equal to HK$[REDACTED] and for a Default Event arising from Mr. Lee and Mr. Chin cease to proceed with the [REDACTED] for whatever reason, then will add interest on the said amount at the rate of 20% per annum prorated or the Company shall, subject to compliance with relevant laws and requirements, repurchase the Shares subscribed by Champion Ascent at the said amount plus interest on the said amount at the rate of 20% per annum prorated. Such acquisition or repurchase shall take place as soon as possible after 31 December 2016.

Lock-up

Champion Ascent has undertaken to the Company and the [REDACTED] that the Shares held by it they will be subject to a lock-up period of six months from the [REDACTED]. Please refer to paragraph 2.4 of the section headed "[REDACTED]" in this document for details of the undertaking given by Champion Ascent Limited.

[REDACTED]

As Champion Ascent is deemed to be a substantial shareholder of the Company (as defined under the GEM Listing Rules) by virtue of Mr. Gan holding a 40% interest in Champion Ascent and 100% of Upright Plan, the Shares held by Champion Ascent will not be considered as part of the [REDACTED] for the purpose of Rule 11.23 of the GEM Listing Rules.

The Sponsor has confirmed that the investments by Champion Ascent are in compliance with indirectly (i) the "Interim Guidance on [REDACTED] Investments" issued by the [REDACTED] as the considerations for those investments were all settled more than 28 clear days before the date of the first submission of the [REDACTED] application form to the Stock Exchange in relation to the [REDACTED]; and (ii) the "Guidance on [REDACTED] investments" (GL43-12) issued by the [REDACTED] as the special rights enjoyed by Champion Ascent will terminate upon [REDACTED].

As the Company did not issue any convertible instruments to Champion Ascent, the "Guidance on [REDACTED] investments in convertible instrument" (GL44-12) issued by the [REDACTED] does not apply.

4. REORGANISATION

In preparation for the [REDACTED], the Group has undergone the Reorganisation and the steps are as follows:

1. On 9 October 2015, RLDC Investment was incorporated in BVI and on 28 October 2015, 25,000 shares of par value of US$1.00 were each allotted and issued to Mr. Lee and Mr. Chin respectively.

2. On 2 October 2015, Worldgate International was incorporated in BVI and on 28 October 2015, 74 shares of par value of US$1.00 was allotted and issued to RLDC Investment at a consideration of HK$51,230,769. The consideration is determined based on the business valuation of the Group as at 31 December 2014 and a multiple of EBITA for 31 December 2014.

3. On 18 February 2016, the Company was incorporated in the Cayman Islands with an authorised capital of HK$380,000 divided into 38,000,000 Shares of par value of HK$0.01 each. On its incorporation, one nil-paid Share (the "Initial Share") was allotted and issued to its subscriber, Sharon Pierson. On the same day, Sharon Pierson transferred her one Initial Share to RLDC Investment at the direction of Mr. Lee and Mr. Chin for cash at par value.

4. On 28 October 2015, Upright Plan subscribed for 13 shares in Worldgate International, representing 13% of the entire issued share capital of Worldgate International on a fully diluted basis in cash for HK$[REDACTED].

5. On 28 October 2015, Champion Ascent subscribed for 13 shares in Worldgate International, representing 13% of the entire issued share capital of Worldgate International on a fully diluted basis in cash for HK$[REDACTED].

6. On 1 July 2015, Gallant Pride was incorporated in BVI and on 28 October 2015, 50,000 shares of par value of US$1.00 were allotted and issued to Worldgate International.

7. On 1 July 2015, Billion Oriental was incorporated in BVI and on 28 October 2015, 50,000 shares of par value of US$1.00 were allotted and issued to Worldgate International.

8. On 7 July 2015, Superb Vantage was incorporated in BVI and on 28 October 2015, 50,000 shares of par value of US$1.00 were allotted and issued to Worldgate International.

9. On 28 October 2015, Mr. Chang transferred his entire share capital of Dong Tai to Worldgate International for cash at par value.

10. On 18 February 2016, Worldgate Haulage was incorporated in Malaysia, and 50 shares of par value of RM1 were each allotted issued to Mr. Lee and Mr. Chin respectively.

11. On 22 February 2016, Worldgate Express subscribed for 499,900 shares in Worldgate Haulage in cash at par value.

12. On [●], Mr. Lee and Mr. Chin transferred their entire issued share capital of Worldgate Haulage to Worldgate Express for cash at par value.

13. On [●], Mr. Lee and Mr. Chin transferred their entire issued share capital of Worldgate Express to Gallant Pride for cash at par value.

14. On [●], Mr. Lee and Mr. Chin transferred their entire issued share capital of My Forwarder to Billion Oriental for cash at par value.

15. On [●], Mr. Lee and Mr. Chin transferred their entire issued share capital of Freight Transport to Superb Vantage for cash at par value.

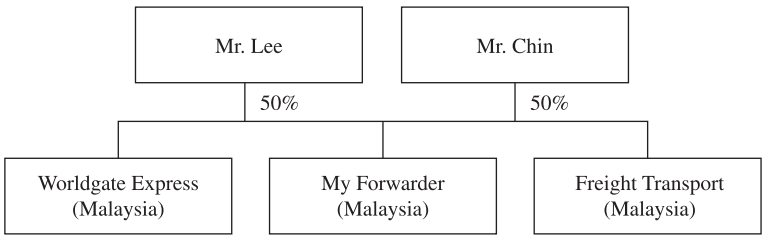
16. On [●], pursuant to the sale and purchase agreement dated [●] entered into between Mr. Lee, Mr. Chin, RLDC Investment, Upright Plan, Champion Ascent and the Company, RLDC Investment, Upright Plan and Champion Ascent transferred their entire shareholding interest in Worldgate International to the Company, in consideration of which (i) the Initial Shares held by RLDC Investment be credited as fully paid; (ii) the Company allotted and issued 73 Shares to RLDC Investment credited as fully paid; (iii) the Company allotted and issued 13 Shares to Upright Plan credited as fully paid; and (iv) the Company allotted and issued 13 Shares to Champion Ascent credited as fully paid.

Upon completion of the Reorganisation but before the [REDACTED] and the [REDACTED] (and not taking into account of any Shares to be allotted and issued upon the exercise of the [REDACTED] and options which may be granted pursuant to the Share Option Scheme), the entire issued share capital of the Company would be held as to 74% by RLDC Investment, 13% by Upright Plan and 13% by Champion Ascent.

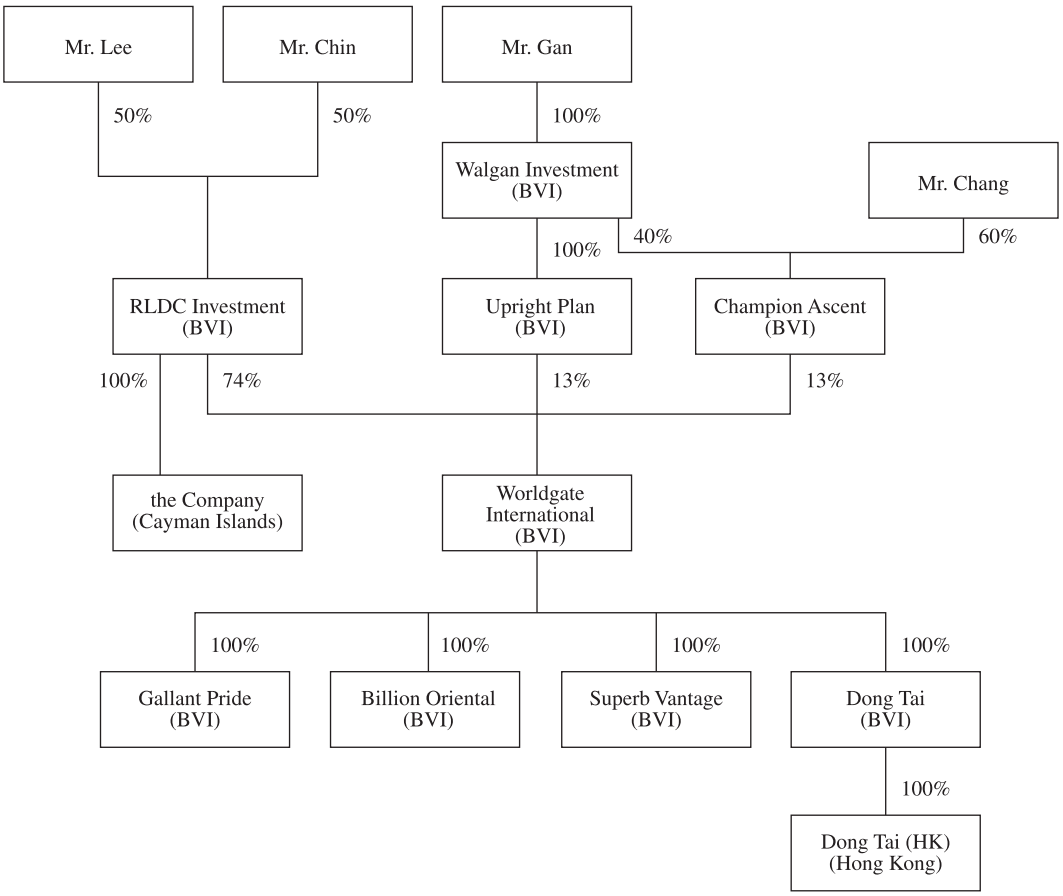
5. CORPORATE STRUCTURE OF THE GROUP

The following charts illustrate the Group's corporate structure (i) immediately before [REDACTED] Investment; (ii) immediately following the completion of the [REDACTED] Investments (but before the Reorganisation); (iii) immediately after the Reorganisation (but before the [REDACTED] and the [REDACTED] and without taking into account any Shares which may be allotted and issued upon the exercise of the [REDACTED] and options which may be granted under the Share Options Scheme) and (iv) immediately following completion of the [REDACTED] and the [REDACTED] (but taking no account of any Shares which may be allotted and issued upon the exercise of the [REDACTED] and options which may be granted under the Share Option Scheme):

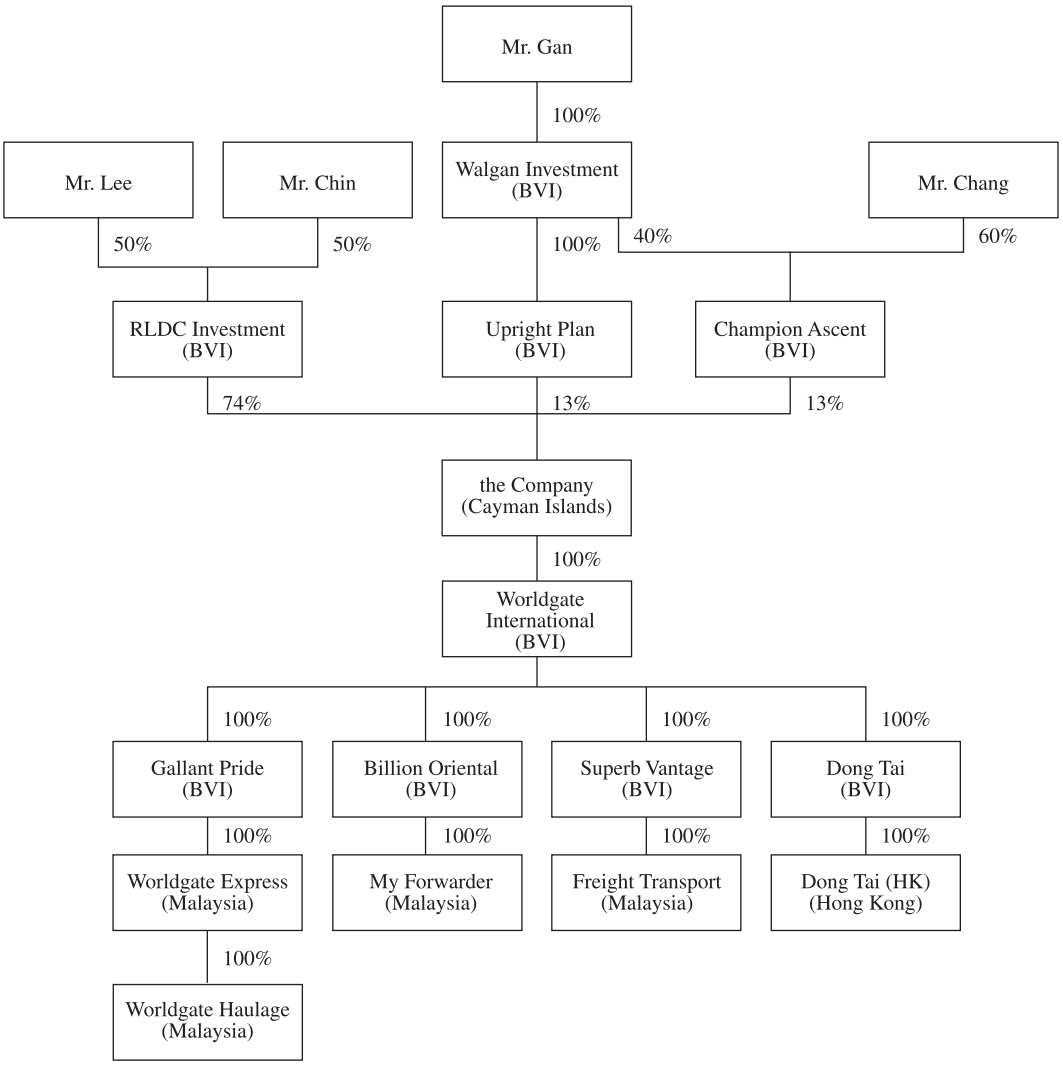
5.1 Immediately prior to the [REDACTED] Investments



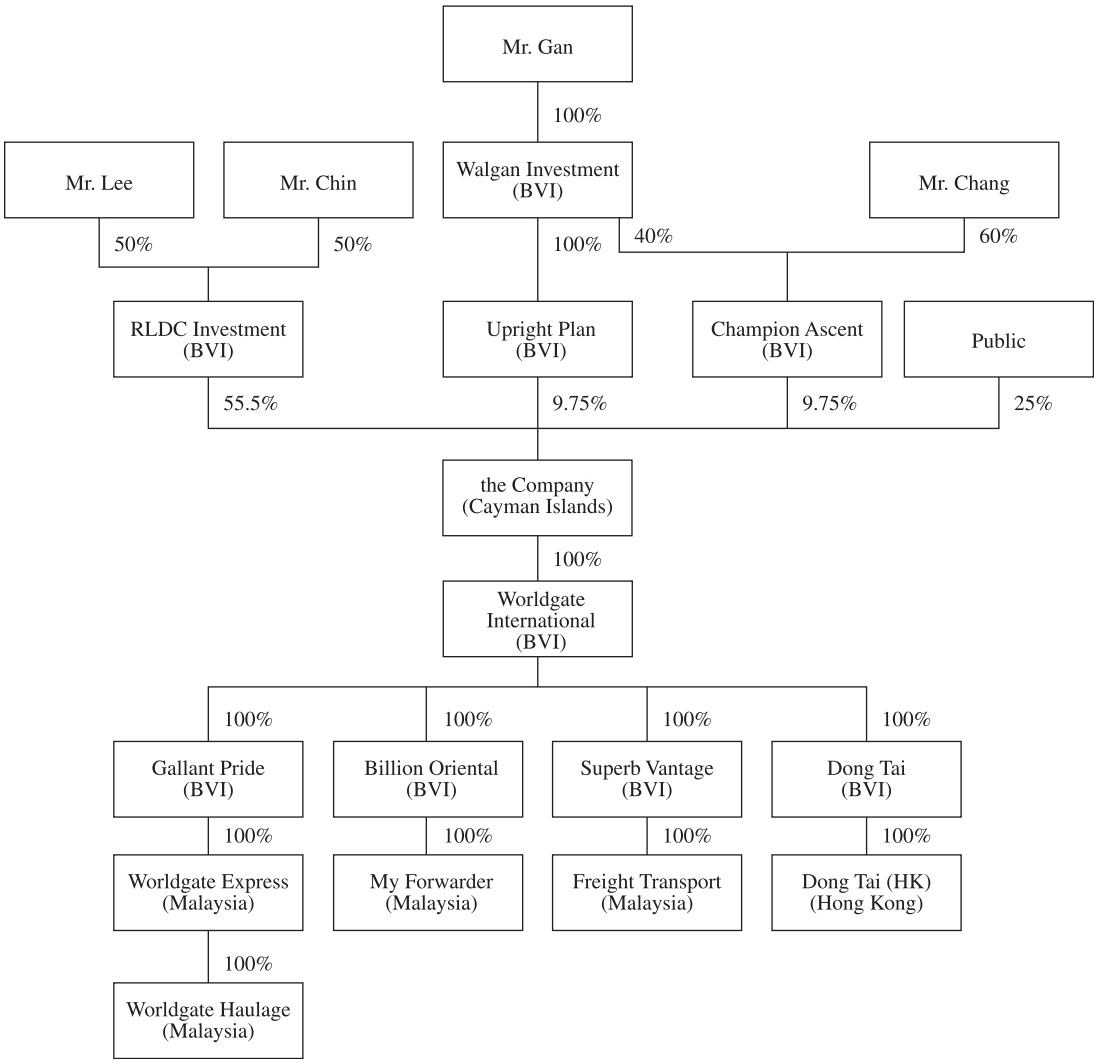
5.2 Immediately following the completion of the [REDACTED] Investments (but before the Reorganisation)



5.3 Immediately after the Reorganisation (but before the [REDACTED] and the [REDACTED] and without taking into account any Shares which may be allotted and issued upon the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme)

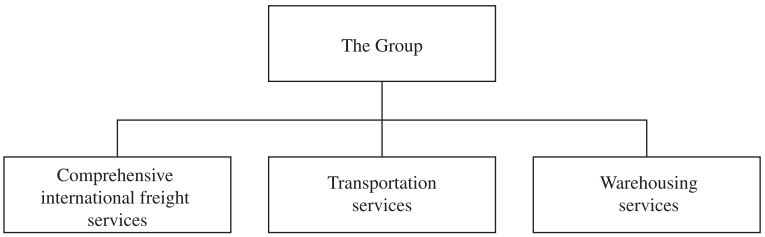


5.4 Immediately following completion of the [REDACTED] and the [REDACTED] (but taking no account of any Shares which may be allotted and issued upon the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme)



1. 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:



Comprehensive international freight services	:	providing import and export international freight services by air and sea, arranging customs clearance, preparation of freight documentation and cargo handling at ports as well as supporting transportation (includes trucking, haulage and value-added services) and warehousing services as part of the comprehensive services.
Transportation services	:	providing standalone transportation services to transport cargo from designated locations in Malaysia to ports for exports, and vice versa for imports. It includes general trucking, bonded trucking and value added services such as tracking and tracing of cargo.
Warehousing services	:	providing standalone general warehousing services and warehousing services in free commercial zone to customers. Value-added services such as providing supply chain management, picking and packing will also be provided upon request by customers.

With an emphasis on customer service, the Directors believe in establishing close relationships with its customers in a professional way via effective communication and a comprehensive understanding of the customers' needs. To support customers' international business, the Group expands its reach to different parts of the world by being a member of several international freight forwarding networks. Please refer to paragraph 5 of this section for further details.

Over the years, the Group has built relationships with customers in a spectrum of industries, including electrical and electronic products, automotive, oil and gas, heavy equipment, medical equipment, food supplements, telecommunications, furniture, consumer-related products, and general cargo.

Led by an experienced management team and guided by the Group's mission statement of "Service with Security", the Group has grown into an international freight forwarding and logistics services provider in Malaysia. Equipped with more than 150 employees, vehicle fleet and information technology support, the Group is able to handle considerable amount of customer orders, high value products as well as products that need special handling such as notebooks and passports.

The Directors believe that the Group is well positioned to capture the growth opportunities in the freight forwarding and logistics services market and will benefit from the growing demand for relevant services from its potential clients, particularly with the inception of AEC on 31 December 2015. With free movement of goods, services, investment, skilled labour and freer flow of capital in the ASEAN region, cross border trade and services will increase, which will bode well for the demand for the Group.

The Directors believe that the trade facilitation mechanism such as cargo clearance system, paperless trading and security trade documents expected to be used by the Malaysian government will speed up the entire customs clearance process and hence improve efficiency and timeliness of the deliveries and services provided to the Group's customers.

Massive investments in new large infrastructure projects which were completed in recent years, such as construction of Kuala Lumpur International Airport, the East Coast Expressway and several rapid transit lines are expected to boost growth for the sector, as freight forwarding companies can capitalise on these transport networks and boost Malaysia's reputation as a distribution and transhipment hub for domestic, regional and international movement of goods. The new development of an electrified double-track rail for rail freight transport is expected to bring about an increase of cargo capacity to 20 million tonnes by the year 2035 as compared to the five million tonnes on average presently. Overall, the Malaysian government's commitment to developing and upgrading the infrastructure is set to expand opportunities for logistics providers and freight forwarders.

2. COMPETITIVE ADVANTAGES

The Directors believe that the following competitive advantages are the key factors to the Group's success and will enable the Group to further develop its business in the future.

2.1 The Group offers a wide range of services, enabling its customers to engage the Group as its logistics partner for their various logistics needs

The Group offers a comprehensive and wide range of services to meet its customers' needs, including comprehensive international freight services, transportation services and warehousing services. In addition, the Group provides value-added services such as supply chain management services including pick & pack, distribution and stock & inventory report, security escort services and tracking services. These services are complementary to one another, and provide customers a wide range of services with cost savings. The Directors believe that the Group's range of services can give it an edge over the local service providers in Malaysia that only offer limited types of freight forwarding and logistics services.

Other than the above, the Group also assists customers in managing their costs through customs advisory services. The Group's experience in the freight forwarding industry allows it to (i) service the customers to move their cargo at competitive rates; and (ii) cope better with the new demerit point system effective from April 2016 in relation to the custom clearance process. Please refer to paragraph 6.2.2 of the section headed "Industry Overview" in this document for further details.

The Group believes that its ability to provide a wide range of services not only allows it to support its customers with customised logistics solutions, but also lead to enhanced collaborations and relationships with its customers so as to grow in the logistics industry.

2.2 The Group's emphasis on quality and reliable services and has built up a reputation in the industry

The Group's focus on customer services and effective communication enables it to retain existing customers and obtain new customers through referral and word of mouth. The Group takes a holistic approach in its service provisions by discussing with its customers in relation to (i) their delivery plan, including the points of delivery and delivery schedule; (ii) their warehousing plan, including the storage requirements; and (iii) their other logistics requirements such as just-in-time delivery services. Through communications with its customers, the Group can better serve its customers so that their needs can be satisfied and their problems can be resolved.

Reputation takes time and effort to build up. In June 2012, Port Klang Authority of Malaysia issued a letter of support recommending the Group to other companies for its professional services. Further, it is stated in the letter of support that the Group has demonstrated an in-depth industry know-how and competency in just in time delivery particularly for time sensitive cargo.

During the Track Record Period, the Group has maintained a low theft record in transporting the cargo. It is due to the Group's commitment to risk management and providing service with security, together with its experience in moving high value and theft attractive cargo. This is a niche area with high demand and such cargos often have the risk to theft. The Directors believe that such trust placed on it by customers is testament to the Group's service quality. This could also lead to new business opportunities through referrals from existing customers.

2.3 The Group's management team has extensive experience and in-depth knowledge

The Group's management team has extensive experience, in-depth knowledge and strong expertise in the logistics service industry. In particular, Mr. Lee, the chairman of the Group, has more than 25 years of relevant experience, and his expertise has led him to be awarded the Brand Laureate SMEs Brand Leadership Award in the category of Logistic Man of the Year in 2014. Mr. Chin, chief executive officer of the Group, with more than 17 years of relevant experience, has knowledge and understanding of the industry which has helped the Group to grow its sales department. Mr. Chin continuously equips himself with knowledge on the requirements imposed by relevant authorities in connection with the logistics industry. For example, he attended a customs agent course organised by Royal Malaysian Customs Academy in 2015. The Directors keep themselves abreast of the industry developments and their business philosophies are "Professionalism with Sincerity" and "Success with Prudence". The Directors value people and it is their wish to see the employees grow with the Group.

2.4 The Group has a people-oriented management culture and emphasis on professionalism

The Directors believe that the Group's success relies on the industry expertise of the employees, and on the familiarity with the nature of the international freight forwarding services and in-depth know-how about the tariffs for different cargo across different countries based on various free trade agreements, as well as awareness of changes in the rules and regulations in the industry globally. Hence, the Group invests resources in building up the competency of its employees, which it likens to human capital. The Group's management also puts an effort into establishing the employees' sense of belonging to the Group and fostering a strong corporate culture by organising bonding activities from time to time.

The majority of the Group's employees are trained in logistics management, and have experience in the logistics service industry. This is further strengthened by the Group's practice of exposing its employees to cargo handling at port terminals and through external training such as the dangerous goods regulations training. The regular training sessions provided by the Group to its staff also aim to build their competencies to be critical thinkers and problem solvers. For example, in case when a customer needs to move its cargo to a specific destination within a given time frame at low cost, the staff will reach out to the airliners and ocean liners to come up with multiple logistics options (either through air, sea or a combination of both) at the most competitive rates for each option before advising the customer on the available solutions to meet its requirements.

2.5 The Group maintains a diversified customer base

The Group has experience in providing logistics services to the electronics industry and the small and medium-sized enterprise sector. In 2010, the Group was appointed as an agent to Company F, an international freight forwarding service provider and a group member of a listed company in US. Leveraging on Company F's extensive network and the Group's experience in import/export of sea and air freight cargos to/from Malaysia, the Group expanded its business to multinational corporations. Apart from the electronics industry, the Group had successfully built up a diversified customer base across various industries including healthcare, automotive, oil and gas,

food, telecommunications, furniture, consumer-related products, and general cargo. The Group has a sizeable customer database comprising both freight forwarder customers and direct customers, including international conglomerates. As at the Latest Practicable Date, the Group has maintained business relationship with its largest customer, Company F, for over six years. Please refer to paragraph 8 of this section for further details.

The Group believes that it is vital to continue expanding its customer base and, at the same time, maintain long standing relationships with its customers from different industries by understanding the changing needs and providing solutions to cater to the unique requirements from customers of different industries. Therefore, the customer service department communicates with the customers and gathers feedback for the Group's continual improvement. The Group is therefore able to maintain continued business relationships with its customers. In particular, it has maintained business relationships ranging from three to 16 years with its five largest customers during the Track Record Period. The Group believes that this is an indication of the customers' loyalty and recognition of its service quality and it considers this recognition as a key factor leading to the Group's success in the freight forwarding and logistics industry in Malaysia.

2.6 The Group has a close working relationship with its suppliers

The Directors believe that one of the key factors to the Group's expansion is the close working relationships with suppliers such as shipping liners, airlines, overseas freight forwarders and trucking companies.

The Group's five largest suppliers during the Track Record Period have established business relationship with the Group for periods ranging from about three to 16 years. In order to maximise flexibility, the Group has not entered into any fixed-term or exclusive agreements with its suppliers. The Directors believe that effective communication is the key to maintain a long-term relationship with its suppliers. The Group views its suppliers as partners and believes that they share a common goal of growing together in the logistics industry.

2.7 The Group is ISO certified

The Group has been awarded the ISO 9001:2008 (UKAS, DSM) Quality Management System Standards Certificate in provision of air freight, sea freight, trucking and warehousing (logistics) services since 2009. The Directors believe that this certification can boost its customers' confidence on the services provided by the Group.

Being in a service industry, the Group emphasises on consistently upholding the quality of its services. To this end, the Group has in place a quality management team which carries out checks on different departments' processes on an annual basis, to determine the effectiveness of implementing the quality management system against the requirements of ISO 9001:2008 and the Group's established requirements. The quality management team is headed by Ms. Tan Yeot Theng, senior vice president of operations, and supported by Ms. Ng Wat Lee, senior customer service manager. As at the Latest Practicable Date, they lead a team of nine internal quality auditors in carrying out the internal audit checks.

3. BUSINESS STRATEGIES

The Group aims to strengthen its position as an integrated logistics solution service provider in Malaysia. To achieve this, the Group intends to focus on the following strategies:

3.1 Further expand its business in major gateways of Malaysia

The Group's presence in major gateways of Malaysia is characterised by representatives or branch offices in major trade hubs such as Port Klang, Kuala Lumpur International Airport, Penang, Johor and Malacca. In recent years, the Malaysian government has announced several plans to develop areas such as Batu Kawan, Iskandar and Malacca.

(i) Batu Kawan in Penang is a major and new industrial and commercial area chosen by the Malaysian government to develop into a bustling industrial hub. Foreseeing business opportunities, the Group will continue to put in more resources to expand its branch office in Penang. Leveraging on the in-depth knowledge in logistics business in Malaysia, the Group has become one of the multinational manufacturers' regular forwarding and logistics solution providers with the support of its business partners such as Company F. Since 2011, the Penang branch has grown from one employee to 44 employees with international customers to support its growth. So far as the Directors are aware, many companies are in the process of constructing their manufacturing plants in Batu Kawan. The Directors expect there are still ample business opportunities in Penang to cultivate multinational companies as customers.

(ii) Iskandar is the main southern development corridor in Johor. There are two sea ports in Johor, namely Johor Port and Port of Tanjung Pelepas. According to the Iskandar Regional Development Authority, since 2006 until November 2015, Iskandar-Malaysia has recorded about RM187.96 billion in total cumulative committed investments. The Group foresaw increasing business activities and demand of logistics service in Johor, therefore branch office was set up in 2014 to provide supporting services for the integrated logistics solution services. This gives the Group an edge by improving the efficiency of the Group in providing services to its customers and overseas freight forwarders in Johor.

(iii) Malacca is located in the southern region of Malay Peninsula next to the Straits of Malacca. In February 2015, the Malaysia Transport Minister announced that the existing port in Malacca would be expanded to become an international shipping port after China identified Malacca as part of its 21st Century Maritime Silk Route economic belt. In September 2015, a memorandum of understanding was signed between Malacca and Guangdong Province of China to develop a Maritime Industrial Park, the Guangdong-Malacca Industrial Estate for manufacture of electrical consumer goods, the construction of a deep-sea port in Malacca and the provision of land-use areas for purposes of trade and commerce. The Directors envision great potential of Malacca being transformed into

the largest port in South East Asia once the huge investment brought by the Chinese materialises. The Directors have put their foresight into action and set up an office in Malacca in October 2015.

3.2 Expand the scope of services to cover cross border trucking, haulage and rail freight

As a freight forwarding and logistics provider, the Group is well-positioned to provide logistics services to its customers in Thailand and other ASEAN countries in light of the formation of AEC on 31 December 2015.

The integration of Southeast Asia's diverse economies into a single market with 625 million people and a combined gross domestic product of USD2.5 trillion in 2014 will signify more opportunities for the Group. Coupled with ASEAN members coming together to:

— enhance infrastructure and communications connectivity;

— develop electronic transactions through e-ASEAN framework; and

— integrate industries through promotion of regional sourcing, etc.

AEC will transform the ASEAN economy into a region with free movement of goods, services, investment, skilled labour and freer flow of capital. The Directors believe that the opening up of the borders among the ASEAN countries and the upgrading of the railway track to the electrified double-tracking from the border of Thailand to Penang and Kuala Lumpur will shorten the transportation time and reduce costs and open up growth potential for cross border trades. In view of this, the Group intends to expand its trucking and haulage services to the southern part of Thailand and provide logistics services using railway so as to capture the growing opportunities in the demand for this service. Warehouses are expected to be set up in Penang and Padang Besar, Perlis, located at the border of Thailand, as distribution centres.

3.3 Further strengthen the information technology systems

The Group intends to consolidate, upgrade and maintain the information technology systems across various functions, and is in discussion with programmers to finalise the web-based *Freight Management 3000* system. The system will allow the Group to integrate the functions of customer service, operations, warehousing and accounting into one centralised system. At the same time, the system will allow customers to track and trace their cargo, and monitor the level of inventory they have placed for storage at the Group's warehouses.

3.4 Attract and retain talented and experienced employees

The Directors believe that the Group's success depends on its ability to hire and cultivate experienced, motivated and well-trained employees. The Group will continue to offer its employees competitive welfare packages and the opportunity to grow with the business. In 2015, the Group embarked on its recruitment drive by joining a career fair organised by the Northern University of Malaysia. This underpins the Group's commitment to attract young talents to join the Group.

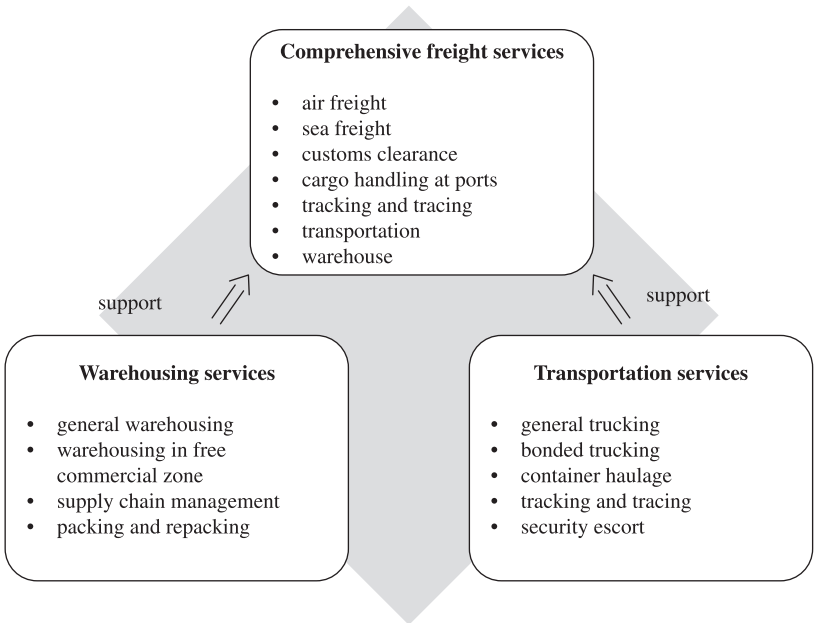
3.5 Grow the business strategically through business acquisitions or business collaboration

The Group has a global network of agents to support its regional freight forwarding business expansion. It will continue to maintain its performance within the industry and enhance its competitiveness. The Directors believe that, apart from expanding the scope of the services to cover cross border trucking and haulage, rail transport, seeking collaborations with or acquisitions of appropriate service providers will be critical in enabling the Group to achieve economies of scale, enlarge its customer base and expand its service offerings to the market.

4. SERVICES AND OPERATIONS

The Group offers a wide range of freight forwarding and integrated logistics services to meet its customers' needs, as shown below. The scope of services that the Group provides to its customers varies and depends on their specific needs and requests. Its mission statement of "Service with Security" clarifies 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 attending risk management training, such as 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 also try its best to provide customers with options on better and more cost effective means to transport their cargo.

The following sets out the Group's principal services:



The following table sets out the revenue by types of services typically offered by the Group during the Track Record Period:

Type of service	Year ended 31 December 2014		Year ended 31 December 2015	
	RM'000	%	RM'000	%
1. Comprehensive international freight services				
— air freight services[(1)]	27,101	44.9	47,243	56.9
— sea freight services[(2)]	30,931	51.2	32,744	39.4
2. Transportation services[(3)]	1,998	3.3	2,748	3.3
3. Warehousing services[(4)]	345	0.6	309	0.4
	60,375	100	83,044	100

Notes:

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

(2) Sea freight services represent comprehensive services which includes import & export sea freight, customs and 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 were included in (1) comprehensive international freight services.

(4) The amounts represented the standalone warehouse services which did not form part of the comprehensive international freight services. The revenue from supporting warehouse services were included in (1) comprehensive international freight services.

4.1 Comprehensive international freight services

The Group is principally involved in the following:

— through obtaining cargo space from airlines, shipping lines or relevant agents;

— arranging customs clearance and cargo handling at ports in Malaysia on behalf of direct customers or freight forwarders customers, including paying customs duties on behalf of customers;

— delivering the consigned shipments to the destinations requested by direct customers or freight forwarders customers; and

— storage of goods.

The Group is a member of six freight forwarding networks, and the connection with a wide range of network freight forwarders from different parts of the world boosts the Group's capability to meet its customers' needs. The Group will engage overseas freight forwarders to handle logistics services overseas. The overseas freight forwarders will also engage the Group to handle logistics services in Malaysia. Please refer to paragraph 5 of this section for further details.

The following charts set out the general provision of international freight services by the Group for exports and imports respectively:

Chart 1: Exports out of Malaysia

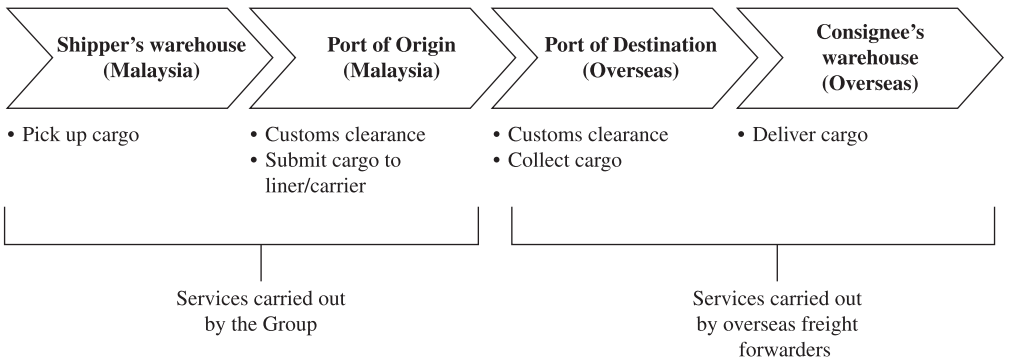
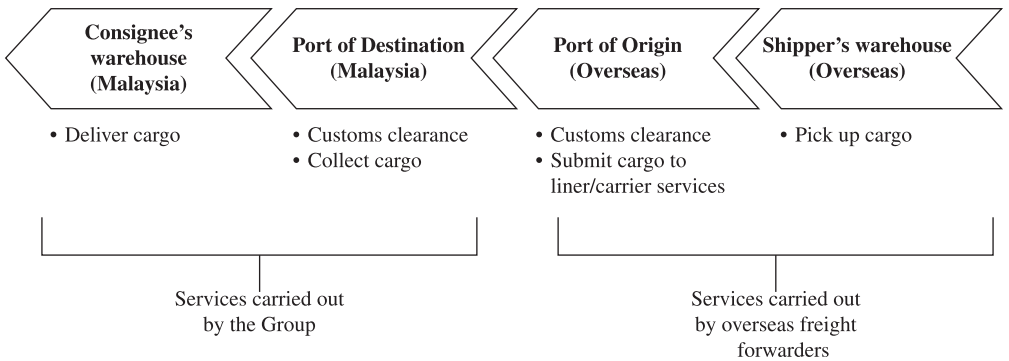


Chart 2: Imports into Malaysia



The Group provides value-added services in conjunction with international freight services such as cost management: (i) the Group advises customers on the correct customs codes to be used for their cargo when completing customs clearance forms to avoid additional costs incurred due to wrong code being filed; and (ii) the Group also assesses overseas freight rates from different carriers/liners in order to provide a better and cost efficient solution that tailors to the customers' requirement. The Group also liaises with shippers and consignees with respect to monitoring the cargo shipments from booking of freight services till delivery of the cargo.

In some cases, the Group offers to station its staff at its customers' workplace to provide timely assistance to fulfill its customers' needs and to resolve and answer forwarding and logistics issues and queries on the spot. For further details, please refer to paragraph 6 of this section. The Directors believe that the wide scope of value-added services provided by the Group is one of the competitive advantages that the Group enjoys.

4.1.1. ***Air freight services***

Air freight services make up the largest business segment of the Group for the year ended 31 December 2015.

For export shipment, it involves cargo pick up, obtaining cargo space, document preparation, engaging overseas freight forwarders for the customs clearance and delivery at destination. The Group normally obtains cargo space from the airlines or its appointed agents directly.

For import shipment, it involves checking of the estimated date of arrival and preparing of the documentation for customs clearance upon receiving the pre-alert notification from overseas freight forwarders or customers. Goods will be delivered upon receiving the instruction from overseas freight forwarders or customers.

4.1.2. ***Sea freight services***

The Group's provision of sea freight services is the second largest of its business segments for the year ended 31 December 2015 and involves organising shipments for customers and overseas freight forwarders, and managing bookings for cargo space for these shipments. For export cargo, the Group usually obtains cargo space from shipping agents who are responsible for selling cargo space of the shipping lines in their service regions. For import cargo, the freight arrangements are usually handled by the shippers or overseas freight forwarders appointed by the Group. The Group also assists customers and overseas freight forwarders on customs clearance at the port customs.

The sea freight services provided by the Group include the following:

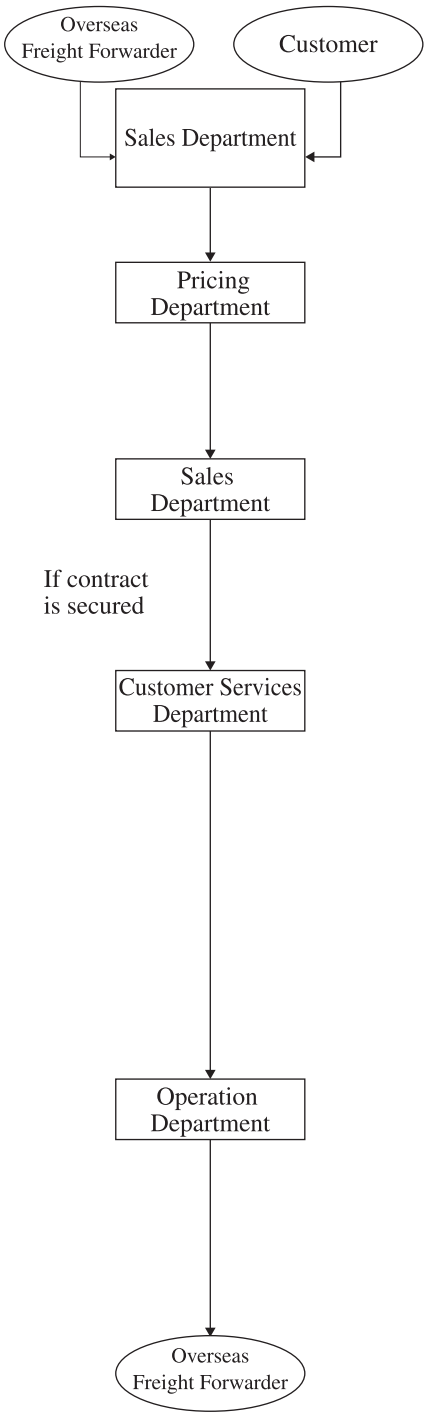
— LCL (Less than Container Load) service;

— FCL (Full Container Load) service; and

— Over-sized project cargo which does not fit into a standard shipping container.

The following charts set out the workflows of exports and imports freight services provided by the Group, respectively.

Chart 3: Workflow of export freight services[1]



(i) Receive enquiry from customer/overseas freight forwarder
(ii) Send the details of enquiry to pricing department

(i) Receive enquiry from sales department
(ii) Check and compare rate with suppliers
(iii) Send the rate to sales department

(i) Prepare quotation to customer
(ii) Once order is confirmed with the customer/overseas freight forwarder, pass quotation and shipping instruction to customer services department

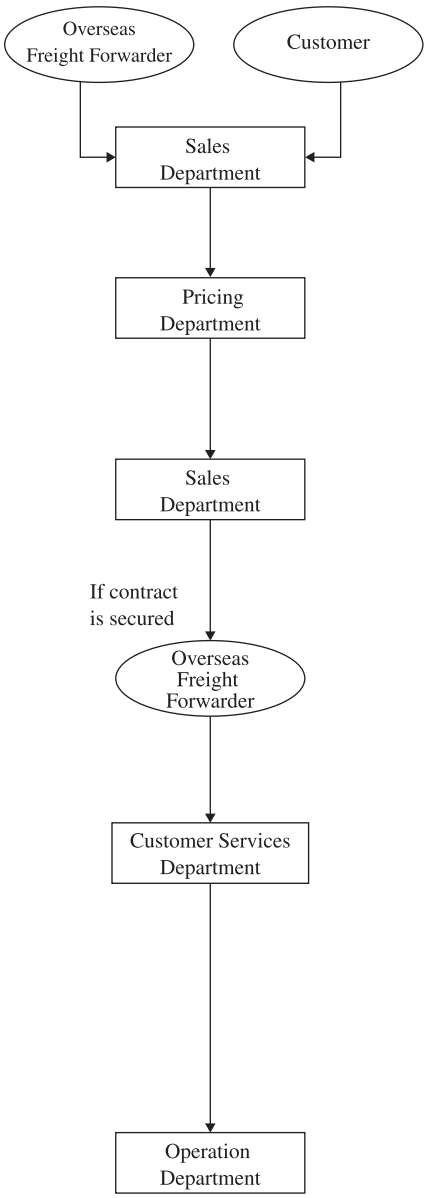
(i) Contact customer/overseas freight forwarder to confirm booking and shipping schedule
(ii) Co-ordinate with the customer/overseas freight forwarder and operation department for shipment arrangement, obtain shipping document for booking and schedule for pick up when cargo is ready
(iii) Update shipment progress to relevant parties
(iv) Send relevant information and pre-alert shipping notice instruction to overseas freight forwarder
(Sea freight — bill of lading, invoice, packing list)
(Air freight — airway bill, invoice, packing list)

(i) Receive information from customer services department
(ii) Pick up goods from customer place and delivery to port
(iii) Send pre-alert shipping notice instruction to overseas freight forwarder
(Sea freight — bill of lading, invoice, packing list)
(Air freight — airway bill, invoice, packing list)
(iv) Customs clearance to export

Note:

(1) This flowchart of export freight services is based on the general arrangement with customer/overseas freight forwarder. There will be some variation of workflow for different incoterms.

Chart 4: Workflow of import freight services[1]



(i) Receive enquiry from customer/overseas freight forwarder

(i) If enquiry is made by the customer, then source freight services from overseas freight forwarders in country of origin
(ii) If enquiry is made by overseas freight forwarder, send update of quotation of local handling and transportation charges to sales department

(i) For customer, prepare quotation
(ii) For overseas freight forwarder, direct quotation for local handling and transportation charges

(i) Receive document from overseas freight forwarder
(Sea freight — bill of lading, invoice, packing list)
(Air freight — airway bill, invoice, packing list)
(ii) Co-ordinate with the customer/overseas freight forwarder and operation department, update shipment progress
(iii) Forward information to operation department for arrangement and action

(i) Customs clearance
(ii) Deliver goods to customers as per instruction of customer services department

Note:

(1) This flowchart of import freight services is based on general arrangement with customer/overseas freight forwarder. There will be some variation of workflow for different incoterms.

4.2 Transportation Services

To support its international freight business, the Group offers transportation services, comprising transporting cargo from warehouses or designated locations to ports and vice versa. As at 31 December 2015, the Group owned a fleet of 25 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 also fitted with GPS, an indication of the Group's commitment to its mission statement of "Service with Security". As at 31 December 2015, the Group had 25 employees responsible for trucking and haulage services, led by four supervisors and managers.

The Group provides the following transportation services:

— General trucking — transporting general merchandise that does not require refrigeration, controlled humidity, or other special handling.

— Bonded trucking — transporting cargo with unpaid duty. To operate bonded trucks in free commercial zone across Malaysia, approval from the Royal Malaysian Customs Department is required. The cargo is sealed by a customs officer before leaving the free commercial zone, and is removed by a customs officer when the bonded cargo reaches its destination (which is another free commercial zone).

— Container haulage — moving containerised cargo over land.

The Directors believe that risk management is important, particularly with high value cargo like laptops and sensitive cargo like passports. Staff are trained to carry out checks on cargo to ensure they are not tampered with. Trucks are equipped with GPS (to monitor cargo on real-time basis), immobilisers (to cut the engine), panic buttons for drivers in case of hijacking. The Group also provides security escort services especially for high-value cargo that is prone to hijacking.

In order to increase the flexibility and cost effectiveness in carrying out its transportation service, the Group will also engage independent subcontractors where the need arises. Please refer to paragraph 7.1 of this section for more details.

4.3 Warehousing Service

The Group offers warehousing services to its customers as part of the integrated logistics solutions services. During the Track Record Period, the Group mainly engaged Independent Third Parties to provide its warehousing services in Port Klang, Kuala Lumpur International Airport and Penang Airport.

In September 2015, the Group rented a warehouse in Port Klang and provided its own general warehousing services. The goods stored by the Group for its customers were general merchandise included electronics and electrical products, medical products, food supplements, telecommunications, furniture, consumer-related products, and general cargo. The warehouse was in temporary use and has terminated upon shifting to its owned warehouse. In March 2016, the Group's owned warehouse in Port Klang with the gross floor area of approximately 6,366 sq.m. (total land area of approximately 11,466 sq.m.) was set up for operations.

In October 2015 and February 2016, the Group rented warehouses in the free commercial zone area in Penang airport and Kualu Lumpur international airport, respectively. [These warehouses are expected to be in operation in April 2016 to support its international freight services.] The warehouses in the airports can be served as temporary storage places for goods in transit or transport to consignees in Malaysia. As the warehouses are located at free commercial zone, goods can be stored without paying duties on them. Duties will come due only when the goods are released for sale. If the goods are for re-export, duties will not be incurred. For laws and regulations related to free commercial zone, please refer to the section headed "Regulatory Overview" in this document for further details.

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. TAPA is a global forum that unites global manufacturers, logistics providers, freight carriers, law enforcement agencies and other stakeholders with the common aim of reducing losses from international supply chains. TAPA certified companies must pass a detailed independent physical premises audit to ensure compliance with numerous Facility Security Requirements (FSRs). The FSRs specify the minimum standards for security throughout the supply chain and the methods used to maintain those standards.

Additional warehousing services provided by the Group are:

— Supply chain management, such as pick & pack, distribution, stock & inventory reports to facilitate efficient and effective monitoring and coordination of flow of goods from manufacturers, warehouses, transporters, and customers.

— Packing and re-packaging services — sorting, wrapping, sealing and labelling customer's goods for transport and distribution.

As at Latest Practicable Date, spreading 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), the Group is providing warehousing services in the warehouses equipped with closed circuit surveillance systems.

5. 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 countries in Africa, Latin America and Middle East. As at 31 December 2015, the total number of network members are more than 6,000.

The Directors believe that the benefits of joining the networks include the following:

— the Group has access to quality freight forwarding partners in various parts of the world, whom it can rely on to carry out customs clearance and cargo handling at the overseas ports for both imports and exports;

— there are more opportunities for the Group to find new freight forwarding partners and attract new business through these partners;

— the Group can rely on high standards of service provided by the freight forwarding partners as the network organisations will normally assess the freight forwarders carefully before accepting them as the member of the networks; and

— the Group can utilize the worldwide freight forwarding networks to provide a complete range of international freight forwarding services which allows its customers to obtain point-to-point pick-up and delivery services from worldwide origins to Malaysia and from Malaysia to worldwide destinations.

Apart from network overseas freight forwarders, the Group also engaged Independent Third Party non-network overseas freight forwarders which are usually recommended by the Group's existing customers or suppliers.

For all business transactions between the Group and the overseas freight forwarders, the Group will handle the freight, local transportation and customs clearance in Malaysia, whilst the overseas freight forwarders will provide similar services in their countries.

As the network overseas freight forwarders are governed by the terms imposed by respective networks, no agreement is signed except where agreements are requested by these overseas freight forwarders for approval of payment purposes. In some cases, agreement may also be signed with the non-network overseas freight forwarders, below are the key terms generally included in such agreement:

— to provide each other with sales leads and/or specific instruction on purchase orders;

— to follow up in a timely manner for all sales and operation communication; and

— profit will be shared on a 50/50 basis for secured shipments that are mutually sold and/or mutually routed freight.

The chart below shows the parties normally in charge of handling the freight arrangements for exports and imports:

Chart 5: Freight arrangements for exports out of Malaysia by various parties

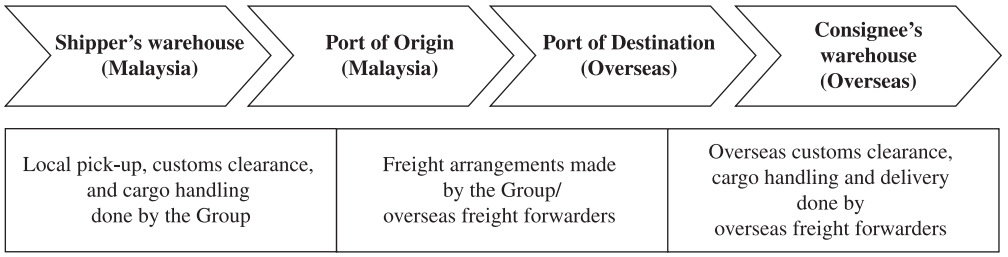
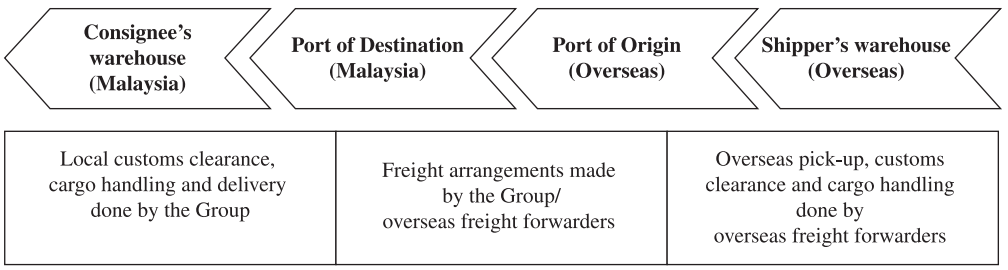


Chart 6: Freight arrangements for imports into Malaysia by various parties



6. CUSTOMERS

The Group's customers comprise direct customers and freight forwarder customers. During the Track Record Period, none of the Directors, their close associates or any Shareholder (who or which, to the knowledge of the Directors own more than 5% of the issued share capital of the Company as at the Latest Practicable Date) has any interest in any of the top five largest customers, all of which are Independent Third Parties. Some of the Group's customers during the Track Record Period are also its suppliers as they are freight forwarders whom the Group relied on for their freight forwarding services.

The Group works with customers to develop logistics solutions that meet their unique requirements. For example, in respect of its provision of integrated logistics solution services to one of its customers in Penang, the Group places its employees at the customers' workplace to act as a one point contact. The Directors believe that such arrangement can allow the Group to provide immediate response to the customers' request and further enhance the efficiency of the Group's services.

The Group does not any have long term contracts with its customers, or those which restrict the customers to use its services for specific durations or to fulfil a minimum volume of shipments over any duration. The Group operates in a competitive industry, and the quotations to its customers contain terms and conditions which it believes to be in line with the industry practice.

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, and the largest customer accounted for approximately 18.9% and 32.0% of its revenue, respectively.

The following tables set forth the details of the Group's five largest customers during the Track Record Period:

For the year ended 31 December 2014:

Customer	Background	Approximate length of relationship with the Group as at the Latest Practicable Date	Approximate percentage of total revenue
Company F	An international freight forwarder and a group member of a company listed on the New York Stock Exchange	6 years	18.9%
Company B	A Malaysian company manufacturing electronic goods	3 year	13.8%
Company I	A Malaysian listed company specialising in digital identity and electronic passports	16 years	5.2%
Company A	A Malaysian-based manufacturer of dry food-based products	11 years	3.8%
Company G	A Malaysian-based company specialising in connectivity for fixed and mobile wireless networks	11 years	2.5%

For the year ended 31 December 2015:

Customer	Background	Approximately length of relationship with the Group as at the Latest Practicable Date	Approximate percentage of total revenue
Company F	An international freight forwarder and a group member of a company listed on the New York Stock Exchange	6 years	32.0%
Company B	A Malaysian company manufacturing electronics goods	3 years	13.4%
Company I	A Malaysian listed company specialising in digital identity and electronic passports	16 years	2.9%
Company A	A Malaysian-based manufacturer of dry food-based products	11 years	2.5%
Company H	A freight forwarder in Canada	5 years	2.0%

6.1 Pricing Policy

The Group prices its services on a cost-plus basis, and takes into account various factors which may include the following:

— the types of services provided;

— the types of cargo;

— cost of cargo spaces and fees of third party service providers, including overseas freight forwarders and subcontractors;

— the prevailing market rates offered by the Group's competitors; and

— the Group's budget and determination of a reasonable profit margin.

The Group may offer discounts to its long-term customers.

The Group's pricing department has drawn up and put in place a price list for internal guidance and reference by the sales, customer service and finance department employees. The price list is subject to review by the pricing department from time to time to reflect changes in the relevant prices in the freight forwarding and logistics industry.

Based on the price list, the sales department employees will provide quotations to customers showing rates and charges for various types of services required by the customers. Normally, these quotations will remain until the new round of pricing review by the pricing department.

The operations department employees will regularly update the customer service department via the Sysfreight system on the progress of the customs clearance. When a job is completed, the operations department will forward the working documents to the finance department, which will issue invoices to its customers based on the quotations. Please refer to paragraph 15 of this section of this document for more details.

During the Track Record Period, revenue from the Group's services was derived from various parts of the world, and was mainly denominated in RM or in USD. Generally, payment method is by bank transfer or cheque. Please see paragraphs 3.2 and 12.4 of the section headed "Financial Information" in this document for more details.

6.2 Credit Policy

The Group generally grants a credit period of range of 30 to 60 days from the invoice date, but variation from this period may occur on a case-by-case basis depending on the following:

— customer's background, reputation and credibility;

— customer's payment history in the industry; and

— customer's business relationship with the Group.

The Group's credit policy extends to services such as those related to carrying cargo from point of origin to point of delivery, including freight arrangement, customs clearance fee, land transportation, and any other logistics related activities.

In order to collect overdue trade receivables, the Group's finance department monitors material overdue payments closely. A weekly aging report showing the customers' overdue amounts is prepared to follow up with the customers listed in the report. Follow-up actions to collect overdue trade receivables include, among others, communication with the relevant department of the customer responsible for processing payments. To discourage overdue trade receivables, the Group may also place the customer's order on hold for any of the following reasons:

— customer's credit line has exceeded the credit limit;

— customer's payments are overdue or inconsistent;

— customer faces financial hardships or operational setback; and

— termination of business relationship with customer.

The Group may also request customers who often have late payment issues to pay for the GST and duty portion of the bill. During the Track Record Period, the Group did not experience any material difficulty in collecting payments.

As at 31 December 2014 and 2015, the Group recorded trade receivables of approximately RM11.5 million and RM17.6 million, respectively, of which RM6.0 million and RM8.6 million, respectively, had been past due but not impaired as the Directors consider that the amounts were due from customers with no default history during the Track Record Period.

6.3 Provision Policy

The Group's policy for impairment loss on trade receivables is based on an evaluation of the past payment record and the financial difficulty of the trade receivables. Provision will be made for the trade receivables when there are events or changes in circumstances which indicates that the balances may not be collectible. The Group reviews its trade receivable balance and any overdue balances on an ongoing basis, and assessments are made on the collectability of overdue balances.

No impairment loss on trade receivables was incurred during the Track Record Period.

6.4 Customer Service

The Group recognises that good customer service is integral to its reputation in the freight forwarding and logistics industry and to customer loyalty. As such, the Group has dedicated sales department which carries out sales calls to potential customers and customer service department which handles customer general enquiries, service bookings, complaints and feedback, and provides daily updates to customers on their shipments. Both departments participate in the process of assessing whether to accept a new customer. Other than getting the sales department employees to approach potential customers, the Group's new customers are usually referred to the Group by existing customers and overseas freight forwarders.

Upon receiving enquiry for the Group's services, the sales department employees 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 establish 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 in carrying out background checks on potential customers. For example, the Group will request potential customers for relevant documents to understand their credit position, customers and ownership background.

The customer service department works together with the sales department to monitor bookings and update the customers on their shipment.

As at 31 December 2015, the Group had 14 and 25 employees in the sales department and customer service department, respectively. The Directors confirmed that the Group had not experienced any material complaints by its customers and did not have any disputes with them during the Track Record Period.

7. SUPPLIERS

The Group's suppliers are mainly suppliers of cargo space, suppliers of overseas freight and logistics services (overseas freight forwarders) and local service providers providing ground transportation, warehousing and other logistics related services (subcontractors).

The Group will require the bank guarantees with the Royal Malaysian Customs Department for the convenience of making cheque payments for transactions such as customs duties and goods and services tax (GST). Such bank guarantees are provided by the Group's banks.

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. The Group does not have long term agreements with its suppliers. The Group's suppliers generally offer a credit period of 0 to 30 days, e.g. shipping lines generally do not grant any credit term. During the Track Record Period, none of the Directors, their close associates or any Shareholder (who or which to the knowledge of the Directors owns more than 5% of the issued share capital of the Company as at the Latest Practicable Date) has any interest in any of the top five largest suppliers, all of which were Independent Third Parties.

The following table sets forth the details of the Group's five largest suppliers during the Track Record Period:

For the year ended 31 December 2014:

Supplier	Background	Approximate length of relationship with the Group as at the Latest Practicable Date	Approximate percentage of the Group's total cost
Company C	A Malaysian air cargo agent providing air freight services	3 years	13.0%
Company F	An international freight forwarder and a group member of a company listed on the New York Stock Exchange	6 years	8.6%
Company D	A Malaysian company providing freight forwarding	16 years	5.5%
Company L	A German cargo airline	4 years	3.8%
Company S	A freight forwarder in China	7 years	2.5%

For the year ended 31 December 2015:

Supplier	Background	Approximate length of relationship with the Group as at the Latest Practicable Date	Approximate percentage of the Group's total cost
Company C	A Malaysian air cargo agent providing air freight services	3 years	25.9%
Company F	An international freight forwarder and a group member of a company listed on the New York Stock Exchange	6 years	11.2%
Company D	A Malaysian company providing freight forwarding	16 years	6.5%
Company E	A Malaysian shipping line and one of the agencies listed in Taiwan	15 years	1.7%
Company J	A freight forwarder in Taiwan	6 years	1.5%

The largest customer and second largest supplier of the Group during the Track Record Period, Company F, is a worldwide freight forwarding service provider. For further details, please refer to paragraph 8 of this section.

As at 31 December 2014 and 2015, the Group recorded trade payables of approximately RM4.5 million and RM9.5 million, respectively. During the Track Record Period and up to the Latest Practicable Date, the Group did not receive any material complaints from its suppliers due to late payments nor did the Group suffered material shortage of cargo space or other services from its suppliers. The Group also did not have any disputes with its suppliers during the Track Record Period.

7.1 Subcontracting arrangement

During the Track Record Period, the Group subcontracted some of its logistics services, including part of its customs clearance, trucking and haulage services and warehousing services in Malaysia to Independent Third Party providers. The Directors believe that such subcontracting arrangements would (i) increase flexibility and cost effectiveness in carrying out its services; and (ii) reduce fixed overhead costs such as depreciation costs incurred for additional trucks and trailers, and salaries for additional employees and drivers. For the years ended 31 December 2014 and 2015, the subcontracting fees from top five subcontractors accounted for approximately 5.4% and 3.6% of the Group's total direct costs, respectively.

The following tables set forth the details of the Group's five largest subcontractors during the Track Record Period:

For the year ended 31 December 2014:

Subcontractor	Background	Length of relationship with the Group as at the Latest Practicable Date	Subcontracting fees RM' million	Approximate percentage of the Group's total cost of sales
Subcontractor 3	Subcontractor for haulage	3 years	0.8	1.6%
Subcontractor 5	Subcontractor for custom clearance and warehousing services	15 years	0.5	1.0%
Subcontractor 6	Subcontractor for haulage	5 years	0.5	1.0%
Subcontractor 2	Subcontractor for trucking	5 years	0.4	1.0%
Subcontractor 1	Subcontractor for haulage	3 years	0.4	0.8%

For the year ended 31 December 2015:

Subcontractor	Background	Length of relationship with the Group as at the Latest Practicable Date	Subcontracting fees RM' million	Approximate percentage of the Group's total cost of sales
Subcontractor 1	Subcontractor for haulage	3 years	0.7	1.1%
Subcontractor 2	Subcontractor for trucking	5 years	0.6	1.0%
Subcontractor 3	Subcontractor for haulage	3 years	0.4	0.7%
Subcontractor 4	Subcontractor for trucking	2 years	0.3	0.4%
Subcontractor 5	Subcontractor for custom clearance and warehousing services	15 years	0.3	0.4%

The Group selects its subcontractors based on (i) service commitment and track record with respect to their reliability; (ii) past working relationship experience; and (iii) financial conditions.

The Group did not enter into any long-term subcontracting agreements with any subcontractors during the Track Record Period. Normally, the Group's subcontractors will provide quotations showing prices for different types of services required by the Group, and these will be subject to renewal on a periodic basis.

The Directors are of the view that the subcontracting arrangement is common within the logistics industry. The Group maintained cordial and long-term co-operative relationships with its subcontractors and will exercise all reasonable endeavours to cultivate and maintain such relationships.

8. RELATIONSHIP WITH COMPANY F

The Group's largest customer and second largest supplier during the Track Record Period, Company F, is an international freight forwarding service provider, and one of the operating companies of a group 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 through the date of this document, so far as the Directors are aware, 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 will engage Company F to provide logistics services in countries outside of Malaysia.

The following tables set out the Group's revenue and cost of sales during the Track Record Period attributable to services provided to and by Company F and other customers and other suppliers, respectively:

Table: Comparison of revenue attributable to services provided to Company F and other customers

	Year ended 31 December 2014		Year ended 31 December 2015	
	RM'000	%	RM'000	%
Company F	11,439	18.9	26,611	32.0
Other customers	48,936	81.1	56,433	68.0
	60,375	100	83,044	100

Table: Comparison of cost of sales attributable to services provided by Company F and other suppliers

	Year ended 31 December 2014		Year ended 31 December 2015	
	RM'000	%	RM'000	%
Company F	4,065	8.6	6,980	11.2
Other suppliers	42,924	91.4	55,251	88.8
	46,989	100	62,231	100

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 the listed company's group member is testament to its service standards, which in turn can attract more customers. As such, the Directors are of the view that the cooperation between Company F and the Group is valuable.

8.1 Major terms of the service agreement with Company F

The Group's agreement with Company F has a term of one year with an option to renew subject to further negotiation. The current service agreement was recently renewed and extended to 31 December 2016. The major salient terms are set out below:

Services offered	:	complete range of international freight forwarding services
Payment terms	:	the Group and Company F will issue monthly statements to each other in respect of the services rendered for the month, with net settlement of statements between the two parties thereafter
Credit period	:	One month
Termination clause	:	the agreement may be terminated by the Group or Company F upon 30 days prior written notice of termination for any reason or no reason with no penalty, damages or remuneration to the other party

9. SEASONALITY

As a freight forwarding and logistics service provider in Malaysia, the Group is primarily engaged in providing services to its customers to serve their needs along their supply chains as well as distribution network. Therefore, the Group's business performance is affected, to a large extent, by its customers' business performance and developments.

The demand for the Group's services fluctuate in tandem with the demand for its customers' products. In general, demand for the Group's services is higher during the second half of the year. Accordingly, comparison of sales and operating results from different periods in any given financial year may not be relied upon as indicators of the Group's performance.

10. SALES AND MARKETING

The Group's history in the freight forwarding and logistics industry in Malaysia can be traced back to November 1999. The Directors believe that the Group will be able to rely on its established relationships with its existing customers, customer referrals, the six network trading partners and its reputation in the industry to expand its business. Therefore, it does not rely heavily on promotional activities for such purposes.

Apart from Company F and direct customers, the Group also leverages on the networks of independent overseas freight forwarders to obtain customers. There are businesses obtained from the leads provided through international sea/air freight business 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 has attended a number of network meetings organised by different networks in Madrid, Mauritius, Phuket, Japan, Guangzhou, Shanghai and Hong Kong.

Despite the above, the Group is aware of the need of maintaining a market presence and awareness of its brand. To this end, some of its employees, who are mainly the operational employees, will put on staff uniforms during work. The Group's name and logo are also displayed prominently on its fleet of vehicles. In addition, when the Group receives awards and certifications, this also indirectly promotes the Group's brand at the award ceremonies and through publication coverage of such ceremonies.

The Group's sales department and customer service department work together to provide support for the Group's operations. The sales department is responsible for establishing and maintaining relationships with the customers, preparing price quotations, and collecting customer service requirements and feedback, while the customer service department manages the freight and logistics arrangements for the customers, deals with customer complaints and feedback, and provides update service to customers.

Apart from the headquarters in Puchong Selangor, there are sales staff stationed at other branch offices in Malaysia including Penang and Malacca branch offices who are responsible for the Group's sales and marketing.

11. EMPLOYEES

The Group has a total of 134 and 157 full-time employees as at 31 December 2014 and 2015, respectively. A breakdown of the full-time employees by function and branch location as at Latest Practicable Date is set forth below:

Function	No. of employees
Management	6
Finance and accounting	17
Human resources and administration	16
Customer service	29
Management information systems	2
EHS & security	1
Sales	13
Operations	31
Pricing	4
Transportation and haulage	36
Warehouse	5
Legal and compliance	1
Total number of employees	161

Branch location	No. of employees
Headquarter in Puchong, Selangor	45
Kuala Lumpur International Airport branch	5
Malacca branch	3
Penang branch	43
Port Klang branch	30
Warehouse in Port Klang	5
Yard in Telok Gong	21
Yard in Nilai	9
Total number of employees	161

Please refer to the section headed "Directors, Senior Management and Staff" in this document for further details of the Group's employees.

11.1 Relationship with staff

The management policies, working environment, development opportunities and employee benefits have contributed to employees' satisfaction levels and retention level. As part of its human resources policies, the Group organises bonding activities, such as bowling activities and annual staff dinners, to allow employees to build up teamwork and to strengthen their bonding. During the Track Record Period, the Group did not experience any strike or labour dispute with its staff which had caused significant disruption to the Group's business operations.

11.2 Recruitment and remuneration

The Group recognises that its success in the freight forwarding and logistics industry is dependent on its employees. The Group recruits its employees based on their industry experience and interpersonal skills.

The Group generally pays its employees a fixed salary and a discretionary performance based bonus. For the years ended 31 December 2014 and 2015, the Group's staff costs, including Directors' emoluments, were approximately RM6.3 million and RM7.6 million, respectively.

In order to attract and retain valuable employees, the Group reviews the performance of its employees and such review results will be taken into account during the annual salary review and promotion appraisal period.

11.3 Training

The Group values its employees as human capital and invest resources to educate and maintain their standards so that they can make a greater contribution to the Group's success.

Employees are provided with appropriate training to enhance their capability. The Group provides both internal and external training regarding the basic logistics knowledge, relevant regulations, internal quality audit and other useful topics. For new hires, the Group provides an induction training programme followed by on-the-job training during their six-month probation period, and continually monitors their progress throughout the probation period.

Department managers are responsible for identifying and evaluating the training needs of their subordinates. Applications to the human resources department shall be submitted for training course arrangements.

12. ENVIRONMENTAL PROTECTION, HEALTH AND WORK SAFETY

Due to the nature of its business, the Group does not directly generate industrial pollutants and did not incur any cost of compliance with applicable environmental protection rules and regulations during the Track Record Period. During the Track Record Period and as at the Latest Practicable Date, the Group did not have any material non-compliance issues in respect of any applicable laws and regulations on environmental protection.

Human capital is one of the key pillars of the Group's success. The Group follows the health and safety-related rules and regulations set out in the Occupational Safety and Health Act 1944. To ensure its employees work in a safe and healthy environment, the Group has a safety, health and environmental team headed by Ms. Tan Yeot Theng, senior vice president, operation. The Group also established a safety and health policy for its employees to follow. In addition, the Group provides occupational safety education and trainings, conducted by external trainers, to raise employees' awareness of safety issues. Please refer to the section headed "Regulatory Overview" in this document for further details.

During the Track Record Period, the Group did not experience any significant incidents or accidents in relation to employees' safety or any non-compliance with the applicable laws and regulations relevant to the health and work safety issues.

13. QUALITY MANAGEMENT

The Group considers its ability to uphold the quality of its freight forwarding and logistics services as crucial to its long term growth, and counts this ability as one of its competitive advantages in the industry. The Group has obtained the ISO 9001:2008 certification since 2009, an internationally recognised standard for quality management.

The Group's quality management team is responsible for the following:

— formulating and implementing systematic quality management policies and standard operating procedures for the Group's operational processes in order to maximise the overall quality consistency of its services;

— overseeing compliance of the quality management policies and procedures by different departments of the Group;

— carrying out internal audits to identify areas for improvements; and

— preparing the results of external quality accreditation audits for discussion in the management review meetings.

The quality management team is headed by Ms. Tan Yeot Theng, senior vice president of operation and supported by Ms. Ng Wat Lee, senior customer service manager. Together, they lead a team of nine internal quality auditors in carrying out the above mentioned responsibilities. To ensure that all team members are equipped with the requisite knowledge of ISO and the necessary skillset to carry out internal audits, the team has attended internal quality audit training and workshop organised by external trainer in 2014.

During the Track Record Period and up to the Latest Practicable Date, there was no incident of failure of the Group's quality management which had a material impact on its business operations.

14. MARKET AND COMPETITION

According to EMI, the logistics and/or freight forwarding industry in Malaysia is fragmented and competitive. In 2014, overall revenue receipts of logistics services and freight forwarding services in Malaysia amounted to approximately RM30,104 million and approximately RM15,654 million, respectively. Industry players have estimated that, in 2014, there had been 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 affiliated to the Federation of Malaysian Freight Forwarders). While several local firms have reported sizable market returns, the industry continues to be dominated by multinational firms that have a competitive advantage in economies of scale and wider geographical footprint. The industry is expected to move towards greater consolidation as freight forwarding and logistics companies are encouraged to provide integration across various transport intermediaries along the logistics supply chain in Malaysia. This consolidation will allow the companies to compete with the multinational firms on a more equal footing. Please refer to paragraph 5 of the section headed "Industry Overview" in this document for details.

The Directors believe that the Group primarily competes with the competitors based on the comprehensiveness of service (including freight forwarding services, transportation, warehouse and other value-added services), quality of service (including professionalism, reliability and timeliness) and price. The multinational players have more business resources in securing global servicing contract with multinational companies. The Group has been appointed as a regional service provider to one of the multinational freight forwarding service providers, Company F, since 2010. Leveraging on Company F's network, the Group is able to obtain more business from multinational companies.

15. INFORMATION TECHNOLOGY

The Group utilises the *MyCargo2U software system* for customs declaration. In addition, the operations and customer service departments use the *Sysfreight system* to coordinate the movement of cargo in and out of Malaysia. The accounting department uses the *YL accounting software* to maintain its books and to prepare invoices to the Group's customers. The human resources department uses *Sage payroll system* for the Group's payroll function. The Group will conduct backup for its IT system including *Sysfreight system*, *YL accounting software* and *Sage payroll system* on a periodic basis.

The Group is in the midst of changing to a new system (namely *Freight Management 3000*) to integrate its customer service, operations and accounting functions. The complete *Freight Management 3000* system will include financial management module, customer relations management module and warehouse management module. The system will also allow customers to log in to track and trace their cargo, and monitor the level of inventory they have placed for storage at the Group's warehouses.

16. INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, the Group had registered a series of four trademarks and three domain names in Malaysia. Please refer to Appendix V in this document for further details.

The Directors confirmed that the Group had not experienced any infringement to its intellectual properties during the Track Record Period which had a material adverse effect on its business, results of operations, financial condition and prospects. During the Track Record Period and up to the Latest Practicable Date, the Group was not involved in any disputes or litigation relating to the infringement of the intellectual property rights, nor is the Group aware of any such claims either pending or threatened.

17. PROPERTIES

17.1 Owned properties

As at the Latest Practicable Date, the Group owned the following office spaces and warehouse.

No.	Location of property	Approximate gross floor area/total parcel area (sq.m.)	Nature
1	No. 42, Jalan Puteri 2/2, Bandar Puteri Puchong, 47100 Puchong, Selangor Darul Ehsan, Malaysia	697	Headquarters
2	Lot 9066, Jalan Udang Gantung, Telok Gong, 42000 Port Klang, Selangor Darul Ehsan, Malaysia	6,366	Warehouse
3	No. 69-A&B, Jalan Bayu Tinggi 6/KS6, Taman Bayu Tinggi, 41200 Klang, Selangor Darul Ehsan, Malaysia	421	Branch office
4	D-Latour, 20–19, Type 2B, D'Latour@DK City Bandar Sunway, 40150 Shah Alam, Selangor Darul Ehsan	71(1)	Staff hostel
5	The Hub@SS2, SV18-03A, #18, Type B2, The Hub@SS2, Selangor	89(1)	Staff hostel

Note:

(1) The total parcel area is compiled based on the sale and purchase agreement as the property was under development as at [27 January 2016], the valuation date.

17.2 Leased properties

As at the Latest Practicable Date, the Group leased the following office spaces, haulage yards and warehouses. All the leases were entered into with Independent Third Parties.

No.	Location of property	Approximate area (sq.m.)	Nature	Landlord	Date of expiry of lease
1	Lot B 2A-1, Block B, Free Commercial Zone, KLIA Cargo Village, Kuala Lumpur International Airport, 64000 Sepang, Selangor, Darul Ehsan, Malaysia	324	Warehouse	Maskargo Logistics Sdn Bhd	31 January 2018
2	Lot 02, Block B, MAB Cargo Agents Building, Penang Caigo Cornplex, Free Commercial Zone 1, Penang International Airport, 11900 Penang, Malaysia	385	Warehouse	Malaysia Airlines Berhad	31 August 2016
3	Lot 14863, Jalan Udang Gantung, Kampung Telok Gong, 42000 Port Klang, Selangor, Malaysia	10,198(2)	Haulage yard	Yap Cheng Chon and Yap Chin Yu	16 February 2017
4	Lot 27437, Jalan BBN 5/2A, Desa Jasmin, Bandar Nilai Utama, 71800 Nilai, Negeri Sembilan, Malaysia	1,217	Haulage yard	Soon Chong Motors (Nilai) Sdn Bhd	30 April 2016
5	No. 29C-3A-07 & 29C-3A-08, Maritime Plazza, Lebuh Sungai Pinang 5, 11600 Georgetown, Penang, Malaysia	2,454	Branch office	Ong Chooi Kim, Towering Estate Sdn. Bhd.(1)	14 October 2016
6	No. 11-1, Jalan TTC 26B, Taman Teknologi Cheng, 75250 Melaka, Malaysia	146(2)	Branch office	Wong Meng Hung	14 October 2017
7	1st floor of No. 142A, Jalan Sri Pelangi, Taman Pelangi, 80400 Johor Bahru, Johor, Malaysia	72(2)	Branch office	Sri Paka Engineering Sdn Bhd	15 September 2016

Notes:

(1) Ong Chooi Kin is the landlord of 29C–3A-07 while Towering Estate Sdn Bhd is the landlord of 29C–3A-08.

(2) This information is based on the Group's estimation.

As at 31 December 2014 and 2015, the Group's properties had a net carrying amount of approximately RM13.4 million and RM14.5 million, respectively.

18. LIABILITY MANAGEMENT & INSURANCE

The Group maintains insurance policies against loss or damage to its office and business interruption, public liability insurance, group personal accident insurance, and insurance against marine and road transit liabilities. The Directors believe that the insurance coverage taken up is adequate and sufficient for the Group's operations and is in line with normal commercial practices of the industry. For example, during the Track Record Period, one truck was lost and was fully covered by the Group's insurance. Further, in cases where the Group is proven to be liable for any loss or damage, including any financial loss resulting from any error or omission suffered by the customer, the maximum liability of the Group shall not exceed RM100,000, in accordance with the Standard Trading Condition issued by Federation of Malaysian Freight Forwarders. Further, customers are responsible for their own cargo insurance for all perils depending on the pre-agreed incoterms. The Group are insured adequately under limited liability insurance, covering negligence, error or mishandling of products.

During the Track Record Period, there was one incident that the Group's cargo in-transit was hijacked and the trailer and cargos were all found. The Group has not received any claim from the customer and did not suffer any loss in the incident. The Directors are of the view that the Group has adequate insurance coverage to mitigate the loss or damages in the event of a claim. In addition, one trailer was lost under the customer's custody and was fully covered by the insurance.

The Directors have confirmed that the Group was not subject to any material insurance claims or liabilities arising from its operations during the Track Record Period and the Group did not make any material insurance claims during the Track Record Period.

19. LITIGATION AND COMPLIANCE

The Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident the nature of which is material impact non-compliance or systemic non-compliance. The Directors also confirmed that during Track Record Period and up to the Latest Practicable Date, none of the members of the Group were engaged in any litigation, claims or arbitration of material importance and no litigation, claim or arbitration of material importance is known to the Directors to be pending or threatened against any member of the Group. The Directors also confirmed that during the Track Record Period and up to the Latest Practicable Date, the Group had obtained all necessary permits, approvals and licenses to operate its existing business in Malaysia from relevant governmental bodies.

20. AWARDS AND CERTIFICATIONS

The following table sets out the Group's major awards and certificates obtained since 2010:

Year(s) of certification/award	Certification/award	Awarding organisation or authority
2016	SMEs Best Brands Award in Logistics — Brand of the Year 2015–2016	The BrandLaureate
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
2013	The BrandLaureate SMEs Best Brands Award for Corporate Branding — Logistic Freight Forwarder	Asia Pacific Brands Foundation
2013	Golden Eagle Award	Nanyang Siang Pau
2010/2011	Asia Pacific Top Excellence Brand	Global Business Magazine

21. LICENCES AND PERMITS

The Group's businesses are conducted in a regulated environment, and licences and permits have to be obtained and remain valid during its operations. Please refer to the section headed "Regulatory Overview" in this document for further details. As at the Latest Practicable Date, the Group has obtained the following major licences and permits for its business operations:

Group member	Licence/permit	Issuing authority	Date of latest licence/ permit granted	Expiry date
Worldgate Express	Permission to act as forwarding agent (SMK BON No. 10000297/15)	Royal Malaysian Customs Department	22 September 2015	18 January 2019
	Operator's licence (No. 499783-A(LA); serial No. L076977)	Land Public Transport Commission of Malaysia	20 October 2015	22 March 2018
	Temporary Business and Advertisement Licence (No. 01021014955620158)	Klang Municipal Council	17 February 2016	8 December 2016
	Business and Advertisement Licence (No. 0101065861820074)	Klang Municipal Council	9 December 2015	31 December 2016
	Business and Advertisement Licence (No. 2120090100050)	Subang Jaya Municipal Council	21 December 2015	31 December 2016
	Temporary Business and Advertisement Licence (No. 209081100052015)	Malaysia Historic City Council	13 October 2015	12 April 2016
Mr. Chin on behalf of Worldgate Express	Business Premise Licence (No. L0016280-0)	Seremban Municipal Council of Seremban	8 January 2016	31 December 2016
Lee Kim Seong on behalf of Worldgate Express	Business and Advertisement Licence (No. KOM00002044)	City Council of Penang Island	6 January 2016	31 December 2016
Freight Transport	Operator's licence (No. 885428-M(LA); serial No. L071238)	Land Public Transport Commission of Malaysia	14 August 2014	13 August 2019
	Business and Advertisement Licence (No. 0101119693020100)	Klang Municipal Council	8 January 2016	31 December 2016
	Business and Advertisement Licence (No. 01011112652320130)	Klang Municipal Council	8 January 2016	31 December 2016
	Business Premise Licence (No. 01600642015)	Johor Bahru City Council	1 January 2016	31 December 2016
My Forwarder	Business and Advertisement Licence (No. 01011112647120138)	Klang Municipal Council	7 December 2015	31 December 2016

In additional to the aforementioned, Worldgate Express had also on 30 June 2014 acquired the status of an International Integrated Logistics Service (IILS) granted by Malaysian Investment Development Authority. For the avoidance of doubt, there is no expiry date for such status.

The Directors have confirmed that the Group has obtained all material requisite licences and permits for its operations as at the Latest Practicable Date and the Group has obtained all relevant licences and permits in Malaysia which are material for its business operations from the relevant government bodies and has complied with all the applicable laws, rules and regulations, and/or all applicable international conventions in its own jurisdiction in all material aspects since its establishment.

Some of the Group's licences and permits are subject to renewal. The Group will renew all existing licences and permits accordingly before its respective expiry dates. The Group has not experienced any refusal of renewal of the licences and permits necessary for its operations during Track Record Period and up to the Latest Practicable Date. The Directors confirm that they are not aware of any circumstances that would significantly hinder or delay the renewal of these licences and permits.

22. RISK MANAGEMENT AND INTERNAL CONTROL

In the course of conducting business, the Group is exposed to various types of risks, including operational risks, market risks, liquidity risk, credit risks and regulatory risks, the details of which have been disclosed under the section "Risk Factors" in this document. The Group has established a set of risk management policies and measures to identify, evaluate and manage risks arising from its operations. The following table sets out some of the primary risks the Group faces that may materially and adversely affect the Group's business, financial condition and results of operation and its risk management measures:

Primary operational risks	Risk management measures
Risk of failing to renew its licences	— During the Track Record Period, the Group has subcontracted its customs clearance and part of its transportation business to subcontractors. Should the Group fail to renew relevant licences, it can subcontract relevant services to these existing subcontractors.
Risk of cargo hijacking, theft and damages	— The Group adopts risk management measures such as GPS and paid security escort services. Please refer to paragraph 4.2 of this section for further details. — The Group maintains insurance policies against loss and damage to its customers' cargo. — There is a limitation of liability for loss and damage of cargo during transportation set by relevant freight associations. Please refer to paragraph 18 of this section for further details.

Primary operational risks	Risk management measures
Risk of being fined for illicit goods transported by its customers	— The Group performs background checks on new customers. Please refer to paragraph 6.4 of this section for further details. — The Group will file a police report for any unclaimed and/or suspicious cargo. In order to discharge its liability, the Group will ensure that the security seal of the cargo remained intact to maintain the integrity of the cargo during the course of transportation.
Risk of increase in freight and transportation cost	— The Group prices its services on a cost-plus basis. It is expected that this risk is mitigated by passing on the cost to the customers whenever possible.
Risk of over dependent on the information technology	— The Group has in place a disaster recovery plan covering the critical application analysis, recovery timing and damage assessment for the *Sage payroll system*, *YL accounting software* and *Sysfreight system* and server for external backup. — For backup process of the IT systems, please refer to paragraph 15 of this section for further details.

In addition, the Group faces financial risks, which have been disclosed in paragraphs 3 and 12 of the section headed "Financial Information" in this document.

On-going measures to implement the risk management policies

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

— segregating duties and functions of the respective operational departments of the Group;

— reviewing systems and procedures to identify, measure, manage and control risks; and

— updating the staff handbook, internal control manual and compliance manual where there are changes to business environment or regulatory guidelines.

The Group will continually monitor and improve its risk management measures to ensure that these measures work in line with the growth of its business.

1. DIRECTORS AND SENIOR MANAGEMENT

The Board consists of two executive Directors, one non-executive Director and three independent non-executive Directors. It is responsible for and has general power over the management and conduct of the Group's business.

The day-to-day operations of the Group are supervised and carried out by the executive Directors with the assistance of the senior management.

The following table sets out some information in respect of the Directors:

Name	Age	Position	Date of joining the Group	Date of appointment as a Director	Main roles and responsibilities	Relationship with other Directors and senior management (other than that through or relating to the Group)
Executive Directors						
Mr. Lee Chooi Seng	51	executive Director, chairman	15 February 2000	18 February 2016	Overall strategic planning and management of the Group	—
Mr. Chin Seng Leong	43	executive Director, chief executive officer	8 February 2000	18 February 2016	Overall execution and operation of the Group	—
Non-executive Director						
Mr. Tan Yee Boon (陳于文)	40	non-executive Director	7 March 2016	7 March 2016	Providing legal and general advice to the Group	—
Independent non-executive Directors						
Mr. Wong Siu Keung Joe (黃兆強)	51	[independent non-executive Director]	[●]	[●]	Providing independent advice to the Group	—
Mr. Liew Weng Keat (廖永杰)	40	[independent non-executive Director]	[●]	[●]	Providing independent advice to the Group	—
Mr. Lee Kwok Tung Louis (李國棟)	48	[independent non-executive Director]	[●]	[●]	Providing independent advice to the Group	—

The following table sets out some information in respect of the Group's senior management (other than those of the executive Directors):

Senior Management

Name	Age	Position	Date of joining the Group	Date of appointment as Senior Management	Main roles and responsibilities	Relationship with other Directors and senior management (other than that through or relating to the Group)
Ms. Lee Li Ngut	40	senior vice president of finance for the Group	19 September 2000	1 March 2016	Managing the Group's finance and accounts	—
Ms. Tan Yeot Theng	42	senior vice president of operations for the Group	15 February 2000	1 March 2016	General Management for Group Operations (customer service, trucking haulage and warehouse)	—
Mr. Chan Kah Chong	47	vice president of operations of the Group and director of Freight Transport	2 January 2010	1 March 2016	Operations Management	—
Mr. Lee Kim Seong	32	vice president of sales for the Group and branch manager for Penang branch	22 February 2010	1 March 2016	Overseeing the Penang office and the Group's sales force	—
Ms. Yeong Jiun Ruo	32	vice president of human resource for the Group	2 May 2014	1 March 2016	Human resource management	—

2. DIRECTORS

2.1 Executive Directors

Mr. Lee Chooi Seng ("Mr. Lee"), aged 51, was appointed as the executive Director and chairman on 7 March 2016. He is primarily responsible for overall strategic planning and management of the Group.

Mr. Lee has over 25 years of experience in the logistics service industry. From December 1991 to 2000, Mr. Lee was the branch manager of Malat-Transocean Airfreight Sdn Bhd. He joined the Group on 15 February 2000 as managing director. Since 2000, Mr. Lee has been working at Worldgate Express as managing director.

Mr. Lee successfully completed the Malaysian Airlines dangerous goods regulations course and the dangerous goods refresher course in January 1996 and June 1998 respectively; the budgeting and forecasting course organised by RCJ Consulting Sdn Bhd in May 1999, and the corporate director's training program organised by Companies Commission of Malaysia in August 2002.

Mr. Lee was awarded CEO of the Year in 2009 and 2011 by Global Forwarding Partners Inc, logistic man of the year by BrandLaureate SMEs BrandLeadership Award in 2014 and GFP vice-chairman's award from Global Forwarding Partners Inc. in October 2015. On 9 March 2012, Mr. Lee completed the "Air Freight Skills Training in TACT MANUAL & CARGO RATING PRINCIPLES" conducted by ANA CARGO ALL NIPPON AIRWAYS.

Mr. Chin Seng Leong ("Mr. Chin"), aged 43, was appointed as the executive Director and chief executive officer and an executive Director on 7 March 2016. He is primarily responsible for overall execution and operation of the Group.

Mr. Chin has over 17 years of experience in the logistics service industry. Prior to joining the Group, he worked as a sales coordinator at Transocean (KL) Sdn Bhd in 1992. He joined Worldgate Express in 2000 as marketing development manager. He became the executive director of the Group on 1 October 2012.

Mr. Chin has successfully completed the corporate director's training program conducted by Companies Commission of Malaysia (SSM) in August 2002. In August 2005, he completed the budgeting and forecasting course, understanding ISO9001:2008 quality management system in January 2011 and the tech & management training "warehouse safety and transportation safety" course in January 2015. He also completed a customs agent course organised by Royal Malaysian Customs Academy in 2015.

2.2 Non-executive Director

Mr. Tan Yee Boon (陳于文) ("Mr. Tan"), aged 40, was appointed as a non-executive Director on 7 March 2016. He is primarily responsible for providing legal and general advice to our Group.

Mr. Tan has not less than 15 years of experience as an advocate and solicitor in Malaysia. He is currently practicing as an advocate and solicitor in Malaysia and is also a member of the Bar Council of Malaysia. He was previously a partner at a law firm in Malaysia since 1 January 2011. Mr. Tan was the founder and now a partner of Messrs. David Lai & Tan, a firm of advocates and solicitors in Kuala Lumpar in 1 May 2013.

Mr. Tan acts as an independent non-executive director of Earnest Investments Holdings Limited, listed on the Main Board of the Hong Kong Stock Exchange (stock code: 339) since 1 June 2009. Mr. Tan is an independent non-executive director of Protasco Berhad, listed on the Main Market of Bursa Malaysia (stock code: 5070) since 18 January 2013. Mr. Tan also acts as an independent non-executive director of Central Industrial Corporation Berhad., listed on the Main Market of Bursa Malaysia (stock code: 8052) since 16 June 2015.

He obtained a Bachelor of Law degree from the University of South Wales (formerly the University of Glamorgan) in South Wales in June 1997 and Certificate of Legal Practice from the Legal Qualifying Board of Malaysia in November 1998. He was admitted as an advocate and solicitor of the High Court of Malaysia in September 1999.

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

Name of Company	Nature of business	Date of dissolution	Means of dissolution	Reasons for dissolution
Aswath Corporate Advisory Sdn. Bhd.	N/A	31 January 2013	Striking off	Intended use no longer exists

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

2.3 Independent non-executive Directors

Mr. Wong Siu Keung, Joe (黃兆強) ("Mr. Wong"), aged 51, was appointed as an independent non-executive Director of the Company in [●].

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

He is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants since 1994. Mr. Wong has over 28 years of experience in accounting, financing, audit field and public listed companies.

Mr. Wong is currently an independent non-executive director of Interactive Entertainment China Cultural Technology Investments Limited which is listed on GEM (stock code: 8081). Mr. Wong is also as an independent non-executive director of China Water Industry Group Limited (stock code: 1129), a company whose shares are listed on the Main Board of the Stock Exchange.

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

Name of Company	Nature of business	Date of dissolution	Means of dissolution	Reasons for dissolution
Nixus Products Limited 力思製品有限公司	Production of plastics	23 May 2008	Deregistration	Ceased to conduct business

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

Mr. Liew Weng Keat (廖永杰) ("Mr. Liew"), aged 40, was appointed as an independent non-executive Director with effect from [●] 2016.

Mr. Liew joined ITRS Group Limited in London in May 1999 before being transferred to ITRS US from February 2001 to February 2006, with the last position being vice president. Having spent five years in New York, Mr Liew then relocated to Hong Kong to start-up ITRS Asia's business for Asia Pacific from February 2006 to August 2008. From August 2008 to May 2009, Mr. Liew was the head of North East Asia at Financial Innovative Technology International Pte. Ltd.. From June 2009 to March 2010, he was a technology director at ITRS Asia Limited. From November 2009 to present, Mr. Liew is the global account director at ITRS Asia Limited, responsible for business development for the Asia Pacific region.

Mr. Liew received a Bachelor of Engineering and Bachelor of Science in Mechanical Engineering from Manchester University in the United Kingdom in July 1997 and received a Master of Business Administration from Richmond, The USA International University in London in the United Kingdom in December 1999.

Mr. Lee Kwok Tung Louis (李國棟) ("Mr. Lee Kwok Tung"), aged 48, joined the Company and was appointed as an independent non-executive Director on [●] 2016.

Mr. Lee Kwok Tung has gained over 23 years of experience with unlisted groups, listed groups and professional firms in finance, accounting and auditing since 1993. Prior to joining the Group, he worked at Deloitte Touche Tohmatsu, an international CPA firm, from 1993 to 1999 and his last position held was senior accountant. From October 1999 to May 2003, Mr. Lee Kwok Tung worked at Bright & Shine Corporate Finance Limited and his last position held was director. From May 2003 to June 2008, Mr. Lee Kwok Tung worked at Deloitte Touche Tohmatsu and his last position held was senior manager. Mr. Lee Kwok Tung then served as the vice president of Meadville Holdings Limited, a company formerly listed on the Main Board of the Stock Exchange and was privatised and voluntarily delisted in 2010, from July 2008 to June 2010. Mr. Lee Kwok Tung has been serving as the financial controller of Lung Ming Mining Co. Limited since September 2010.

Mr. Lee Kwok Tung is currently an independent non-executive director of CGN Mining Company Limited (stock code: 01164) and Zhong Ao Home Group Limited (stock code: 01538), both companies listed on the Main Board of the Stock Exchange, and Mr. Lee Kwok Tung is also currently an independent non-executive director of Winto Group (Holdings) Limited (stock code: 08238), a company listed on the GEM.

Mr. Lee Kwok Tung graduated from Macquarie University, Australia with a bachelor's degree in Economics in April 1993. Mr. Lee Kwok Tung has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since October 1999 and a certified practicing accountant of the CPA Australia since June 1996.

2.4 General

Save as disclosed above, there is no other information relating to the Directors that needs to be disclosed under the requirements under Rule 17.50(2) of the GEM Listing Rules.

Save as disclosed in this document, each of the Directors has confirmed that:

(i) he has no interests in the securities of the Company and/or its associated corporations within the meaning of Part XV of the SFO as at the Latest Practicable Date;

(ii) he is independent from, and is not related to, any other Directors, senior management or Substantial Shareholders or Controlling Shareholders of the Company as at the Latest Practicable Date; and

(iii) he has not hold any other directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date.

Save as disclosed in this document, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of the Directors that needs to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules as at the Latest Practicable Date.

Save as disclosed in the section headed "Relationship with the Controlling Shareholders" in this document, none of the Directors has any interests in any business apart from the Group's business which competes or is likely to compete, whether directly or indirectly, with the Group's business.

3. SENIOR MANAGEMENT

Ms. Lee Li Ngut ("Ms. Lee"), aged 40, was re-designated as the senior vice president of finance for the Group on 1 March 2016. She is responsible for managing the Group's finance and accounts.

Ms. Lee has over 15 years of experience in accounting. From 1999 to 2000, Ms. Lee worked at Damai Laut Golf Resort as an accounts and administration officer. She joined the Group on 19 September 2000 as an account executive and became a group finance manager on 1 October 2013.

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

Ms. Tan Yeot Theng ("Ms. Tan"), aged 42, was re-designated as the senior vice president of operations for the Group on 1 March 2016. She is responsible for general management for Group operations (customer service, trucking, haulage and warehouse).

She has over 16 years of experience in customer service. Ms. Tan started her career in 1997 at MBF Property services SDN BHD as a finance executive. From October 1998 to February 2000, she worked as a customer service officer for Transocean (KL) Sendirian Berhad. Then, she joined the Group on 15 February 2000 as a customer service executive and became an assistant general manager in October 2009. On October 2014, she was promoted to group assistant general manager.

Ms. Tan attended the Institute of Chartered Secretaries & Administrators at Systematic College from 1995 to 1997. Ms. Tan completed the Internal QMS Auditor course in November 2008 and the ISO 9001:2008 quality management systems auditor/lead auditor training course in July 2012.

Mr. Chan Kah Chong ("Mr. Chan"), aged 47, was re-designated as the vice president of operations of the Group and director of FTN on 1 March 2016. He is responsible for operations management.

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

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

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

Mr. Lee Kim Seong ("Mr. Lee"), aged 32, was re-designated as the vice president of sales for the Group and branch manager for Penang branch on 1 March 2016. He is responsible for overseeing the Penang office & the Group's sales force.

Mr. Lee Kim Seong has over eight years of experience in freight forwarding. He started his career in 2006 at Kuehne & Nagel Sendirian Berhad as an airfreight export account coordinator. On 22 February 2010, he joined the Group as an assistant manager.

Mr. Lee Kim Seong received a Bachelor of Science in Business Administration from the University of Utara Malaysia in Malaysia in September 2006. He completed the dangerous goods regulations refresher course organised by Malaysia Airlines in March 2009, introduction to air cargo course organised by learning evolution organisation in July 2011, warehouse safety and transportation safety organised by I-World in January 2015.

Ms. Yeong Jiun Ruo ("Ms. Yeong"), aged 32, was re-designated as the vice president of human resource for the Group on 1 March 2016. She is responsible for human resource management.

She has over 10 years of experience in administration. From June 2006 to May 2007, she was a senior R&QA supervisor for Unisem (m) Berhad. From August 2007 to April 2008, she worked for Carrier International Sdn Bhd as an office administrator. From May 2008 to March 2014, she worked as a senior officer for research and development for Sony EMCS (Malaysia) Sendirian Berhad. She joined the Group on 2 May 2014 as an assistant human resource manager and was promoted to human resource manager in September 2015.

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

4. COMPANY SECRETARY

Mr. Lam Wing Tai (林永泰) ("Mr. Lam"), aged 49, was appointed as the company secretary on 7 March 2016.

Mr. Lam was admitted as a certified practicing accountant of the Certified Practicing Accountants Australia in May 1995 and a certified public accountant of the Hong Kong Institute of Certified Public Accountants in January 1996.

5. COMPLIANCE OFFICER

Mr. Lee serves as the compliance officer of the Company for the purpose of the GEM Listing Rules.

6. REMUNERATION POLICY

The aggregate amounts of remuneration of the Directors for the two years ended 31 December 2014 and 2015 were approximately HK$0.9 million and HK$1.0 million respectively. Under such arrangement and pursuant to the Directors' service contracts and letters of appointment referred to the paragraph 3.2 of Appendix V in this document, the aggregate amount of Directors' fee and other emoluments payable to the Directors (excluding any discretionary bonuses) for the year ending 31 December 2016 is estimated to be approximately HK$3.4 million.

The Group's principal policies concerning remuneration of Directors or staff of high caliber are determined based on the relevant Director's or staff's duties, responsibilities, experience and skills. The Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of the Group. The Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to the Company or executing their functions in relation to its operations. The Company regularly reviews and determines the remuneration and compensation packages of the Directors and senior management. the Company regularly provides discretionary bonuses to its senior management and key employees as incentive.

The Company has conditionally adopted the Share Option Scheme on [●] to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Please refer to paragraph 13 in Appendix V in this document for further details of the Share Option Scheme.

After [REDACTED], the Remuneration Committee will review and determine the remuneration and compensation packages of the Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

During the Track Record Period, no remuneration was paid by the Company to, or received by, the Directors as an inducement to join or upon joining the Company.

7. STAFF

The Company offers its employees remuneration packages which it believes to be competitive to its employees.

During the Track Record Period, the Group did not experience any strike or labour dispute with its staff which had caused significant disruption to the Group's business operations.

8. BOARD COMMITTEES

The Audit Committee, Remuneration Committee and Nomination Committee of the Company were approved to be established by resolutions passed by its Board on [●].

Each of the three committees has written terms of reference. The functions of the three committees are summarised as follows:

8.1 Audit Committee

The Company established an audit committee on [●] by a resolution of its Board passed on [●] with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 15 to the GEM Listing Rules. The audit committee comprises all independent non-executive Directors: [Mr. Wong Siu Keung Joe, Mr. Liew Weng Keat and Mr. Lee Kwok Tung Louis. Mr. Wong Siu Keung Joe was appointed to serve as the chairman of the audit committee.] The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of the Company.

8.2 Remuneration Committee

The Company established a remuneration committee on [●] by a resolution of the Board passed on [●] with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the CG Code. The remuneration committee comprises all independent non-executive Directors: [Mr. Wong Siu Keung Joe, Mr. Lee Kwok Tung Louis and Mr. Liew Weng Keat. Mr. Lee Kwok Tung Louis was appointed as the chairman of the remuneration committee.] The primary functions of the remuneration committee are to make recommendations to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of the Group, review performance-based remuneration and ensure none of the Directors determine their own remuneration.

8.3 Nomination Committee

the Company established a nomination committee on [●] by a resolution of the Board passed on [●]. The nomination committee comprises one executive Director and two independent non-executive Directors: [Mr. Lee, Mr. Wong Siu Keung Joe and Mr. Liew Weng Keat.] Mr. Liew Weng Keat was appointed as the chairman of the nomination committee. The nomination committee has written terms of reference in compliance with the CG Code. The primary functions of the nomination committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy; identify individuals suitably qualified as potential Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of the independent non-

executive Directors; and make recommendations to the Board on the appointment or reappointment of Directors and succession planning of Directors, in particular that of the chairman and the chief executive officer.

9. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company will comply with the Corporate Governance Code in Appendix 15 of the GEM Listing Rules.

The Directors will review the Company's corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in its corporate governance report which will be included in the annual reports upon the [REDACTED].

10. COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Ample Capital Limited as the compliance adviser (the "Compliance Adviser"). The Compliance Adviser will provide the Company with guidance and advice as to compliance with the requirements under the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Compliance Adviser will advise the Company in the following circumstances:

(i) before the publication of any regulatory announcement, circular, or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(iii) where the Company proposes to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where the business activities, development or results of the Group deviate from any forecast, estimate or other information in this document; and

(iv) where the Stock Exchange makes an inquiry to the Company in accordance with Rule 17.11 of the GEM Listing Rules.

The term of appointment of the Compliance Adviser shall commence on the [REDACTED] and is expected to end on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the Company's financial results for the second full financial year commencing after the [REDACTED].

1. SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account of the Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and/or any options that may be granted under the Share Option Scheme), based on the information available on the Latest Practicable Date, the following persons/entities will have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in [REDACTED] or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Capacity/Nature of interest	Number of Shares held as at the date of the application proof	Number of Shares held after the [REDACTED] and the [REDACTED][(1)]	Percentage of shareholding after the [REDACTED] and the [REDACTED]
Mr. Lee	Interest in controlled corporation[(2)]	1 (L)	[REDACTED] (L)	[REDACTED]
Mrs. Ng Yee Hoong	Family interest[(5)]	1 (L)	[REDACTED] (L)	[REDACTED]
Mr. Chin	Interest in controlled corporation[(2)]	1 (L)	[REDACTED] (L)	[REDACTED]
Mrs. Dorothy Yeo Mong Yee	Family interest[(6)]	1 (L)	[REDACTED] (L)	[REDACTED]
RLDC Investment	Beneficial owner	1 (L)	[REDACTED] (L)	[REDACTED]
Mr. Gan	Interest in controlled corporation[(3)(4)]	—	[REDACTED] (L)	[REDACTED]
Mrs. Amy Ong Lai Fong	Family interest[(7)]	—	[REDACTED] (L)	[REDACTED]
Walgan Investment	Interest in controlled corporation[(3)(4)]	—	[REDACTED] (L)	[REDACTED]
Upright Plan	Beneficial owner	—	[REDACTED] (L)	[REDACTED]
Mr. Chang	Interest in controlled corporation[(4)]	—	[REDACTED] (L)	[REDACTED]
Mrs. Wong Ping Yuk	Family interest[(8)]	—	[REDACTED] (L)	[REDACTED]
Champion Ascent	Beneficial owner	—	[REDACTED] (L)	[REDACTED]

Notes:

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

(2) The entire issued share capital of RLDC Investment is legally and beneficially owned as to 50% by Mr. Lee and as to 50% by Mr. Chin. Accordingly, Mr. Lee and Mr. Chin are deemed to be interested in all of the Shares held by RLDC Investment by virtue of the SFO.

(3) The entire issued share capital of Upright Plan is legally and beneficially owned by Walgan Investment which in turn is held by Mr. Gan.

(4) The entire issued share capital of Champion Ascent is legally and beneficially owned by Mr. Chang as to 60% and Walgan Investment as to 40%; and Walgan Investment is wholly-owned by Mr. Gan.

(5) Mrs. Ng Yee Hoong is the spouse of Mr. Lee and is therefore deemed to be interested in all of the Shares held/owned by Mr. Lee (through RLDC Investment) by virtue of the SFO.

(6) Mrs. Dorothy Yeo Mong Yee is the spouse of Mr. Chin and is therefore deemed to be interested in all of the Shares held/owned by Mr. Chin (through RLDC Investment) by virtue of the SFO.

(7) Mrs. Amy Ong Lai Fong is the spouse of Mr. Gan and is therefore deemed to be interested in all of the Shares held/owned by Mr. Gan (through Upright Plan and Champion Ascent) by virtue of the SFO.

(8) Mrs. Wong Ping Yuk is the spouse of Mr. Chang and is therefore deemed to be interested in all of the Shares held/owned by Mr. Chang (through Champion Ascent) by virtue of the SFO.

Save as disclosed above, the Directors are not aware of any person who will, immediately following the [REDACTED] and the [REDACTED] (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and/or any options that may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in [REDACTED] or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

2. UNDERTAKINGS

Each of the Controlling Shareholders has given certain undertakings in respect of the Shares held by them to the Company, the Sponsor, the [REDACTED] (for itself and on behalf of the [REDACTED]) and the Stock Exchange, details of which are set out under the section headed "[REDACTED] — Undertakings" below. The Controlling Shareholders have also given undertakings in respect of the Shares to the Company and the Stock Exchange as required by Rules 13.16A(1) and 13.19 of the GEM Listing Rules.

1. THE CONTROLLING SHAREHOLDERS

Immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and/or any options which may be granted under the Share Option Scheme), the Controlling Shareholders will hold [REDACTED] Shares, representing [REDACTED] in aggregate of the total issued share capital of the Company.

2. INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

2.1 Competing Interests

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

2.2 Management independence

Although the Controlling Shareholders will remain controlling interests in the Company upon completion of the [REDACTED], the day-to-day management and operation of the business of the Group will be the responsibility of all the executive Directors and senior management of the Company. The Board has six Directors comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The Board and senior management operate as a matter of fact independently of the Controlling Shareholders and they are in a position to fully discharge their duties to the Shareholders as a whole after [REDACTED] without reference to the Controlling Shareholders.

Each of the Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit of and in the best interests of the Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group and the Directors or their respective close associates, the interested Director(s) will abstain from voting at the relevant board meetings of the Company in respect of such transactions and will not be counted in the quorum. In addition, the Company has an independent senior management team to carry out the business decisions of the Group independently.

Having considered the above factors, the Directors are satisfied that they are able to perform their roles in the Company independently, and the Directors are of the view that the Company is capable of managing the Group's business independently from the Controlling Shareholders.

2.3 Operational independence

The Group has established its own organisational structure made up of individual departments, each with specific areas of responsibilities. The Group has not shared any operational resources, such as office premises, sales and marketing and general administration resources with the Controlling Shareholders and its close associates, during the Track Record Period. The Group has also established a set of internal controls to facilitate the effective operation of its business.

The Group's suppliers are all independent from the Controlling Shareholders. It does not rely on the Controlling Shareholders or their close associates and has its independent access to the suppliers for the provision of services and materials.

2.4 Financial independence

The Group has its own accounting and finance department and independent financial system and make financial decisions according to its own business needs. It also has its own treasury function and independent access to third party financing. During the Track Record Period, certain bank borrowings were secured by personal guarantees of the Controlling Shareholders. Please refer to paragraph 8 of the section headed "Financial Information" in this document and Note 22 (Bank Borrowings, Secured) of the Accountant's Report set out in Appendix I in this document for further details. All the above securities provided to the Group will either be released or fully repaid upon [REDACTED].

In view of the Group's internal resources and the estimated [REDACTED] from the [REDACTED], the Directors believe that the Group will have sufficient capital for its financial needs without dependence on the Controlling Shareholders. The Directors further believe that, upon the [REDACTED], the Group is capable of obtaining financing from external sources independently without the support of the Controlling Shareholders.

3. NON-COMPETITION UNDERTAKING

The Controlling Shareholders (each a "Covenantor" and collectively, the "Covenantors") entered into the Deed of Non-Competition in favour of the Company, under which each of the Covenantors has irrevocably and unconditionally, jointly and severally, warranted and undertaken to the Company (for ourselves and as trustee for each of its subsidiaries) that:

(a) he/she/it will not, and will procure any Covenantor and his/her/its close associates (each a "Controlled Person" and collectively, the "Controlled Persons") and any company directly or indirectly controlled by the Covenantor (which for the purpose of the Deed of Non-Competition, shall not include any member of the Group) (the "Controlled Company") not to, except through any member of the Group, directly or indirectly (whether as principal or agent, through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise), carry on, engage in, invest or be interested or otherwise involved in any business that is similar to or in competition with or is likely to be in competition with any business carried on by any

member of the Group from time to time or in which any member of the Group is engaged or has invested or is otherwise involved in any territory that the Group carries on its business from time to time ("Restricted Business");

(b) if any Covenantors, Controlled Person and/or Controlled Company is offered or becomes aware of any new project or business opportunity ("New Business Opportunity") directly or indirectly to engage or become interested in a Restricted Business, he/she/it (i) shall promptly notify the Company of such New Business Opportunity in writing, refer the same to the Company for consideration first and provide such information as may be reasonably required by the Company to make an informed assessment of such New Business Opportunity; and (ii) shall not, and shall procure that the Controlled Persons or Controlled Company shall not, invest or participate in any such New Business Opportunity unless such New Business Opportunity shall have been declined by the Company and the principal terms of which he/she/it and/or his/her/its close associates invest or participate in are no more favourable than those made available to the Company.

The restrictions which each of the Covenantors has agreed to undertake pursuant to the non-competition undertaking will not apply to such Covenantors in the circumstances where he/she/it has:

(a) the holding of or interests in shares or other securities by any of the Covenantors and/or his/her/its close associates in any company which conducts or is engaged in any Restricted Business, provided that, in the case of such shares, they are listed on a recognised stock exchange as specified under the SFO and either:

    (i) the relevant Restricted Business (and assets relating thereto) accounts for less than 10% of the relevant consolidated turnover or consolidated assets of the company in question, as shown in the latest audited accounts of the company in question; or

    (ii) the total number of the shares held by any of the Covenantors and his/her/its close associates or in which they are together interested does not amount to more than 5% of the issued shares of that class of the company in question, provided that any of the Covenantors and his/her/its close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and that at all times there is a holder of such shares holding (together, where appropriate, with its close associates) a larger percentage of the shares in question than the Covenantors and his/her/its close associates together hold.

The non-competition undertaking will take effect from the date on which dealings in the Shares first commence on GEM and will cease to have any effect upon the earliest of the date on which (i) such Covenantor, being a Controlling Shareholder, individually or collectively with any other Covenantor(s) ceases to be interested, directly or indirectly, in 30% or more of the issued

Shares, or otherwise ceased to be regarded as controlling shareholder (as defined under the GEM Listing Rules from time to time) of the Company; or (ii) the Shares cease to be listed and traded on GEM or other recognised stock exchange.

4. CORPORATE GOVERNANCE MEASURES

The Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of the Shareholders:

(1) the Articles provide that a Director shall absent himself from participating in Board meetings (nor shall he be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested unless a majority of the independent non-executive Directors expressly requested him to attend;

(2) the independent non-executive Directors will review and will disclose decisions with basis, on an annual basis, the compliance with the non-competition undertaking by the Controlling Shareholders;

(3) the Controlling Shareholders undertake to provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the non-competition undertaking;

(4) the Company will disclose decisions with basis on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of the Controlling Shareholders in the annual reports of the Company;

(5) the Controlling Shareholders will make an annual declaration on compliance with their non-competition undertaking in the annual report of the Company;

(6) the Company has appointed Ample Capital Limited as the compliance adviser, which will provide advice and guidance to the Company in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and internal controls;

(7) the independent non-executive Directors will be responsible for deciding whether or not to allow the Controlling Shareholders and/or their respective close associates to involve or participate in a Restricted Business and if so, any condition to be imposed; and

(8) the independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or connected transaction(s) at the cost of the Company.

Further, any transaction that is proposed between the Group and the Controlling Shareholders and their respective close associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

None of the members of the Group has experienced any dispute with its shareholders or among its shareholders themselves and the Directors believe that each member of the Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out above, the Directors believe that the interest of the Shareholders will be protected.

1. BUSINESS OBJECTIVES AND STRATEGIES

The business objective of the Group is to enhance its current market position as a total logistics solutions provider with global network while basing its core business in Malaysia. The Group plans to leverage on and improve its competitive advantages by (i) further expanding its business in major gateways in Malaysia; (ii) expanding its scope of services to cover cross border trucking, haulage; (iii) further strengthening the information technology systems; (iv) attracting and retaining talented and experienced employees; and (v) growing the business strategically through business acquisitions.

Please refer to paragraph 3 of the section headed "Business" in this document for further details of the Group's business objectives and strategies.

2. IMPLEMENTATION PLANS

In order to implement the above business strategies, the Group has prepared an implementation plan for the period from the Latest Practicable Date up to and including [30 June 2018]. The following implementation plan only reflects the Directors' current understanding of the market situation. The Directors will use their best endeavours to anticipate changes, whilst allowing flexibility, to implement the following plans:

2.1 From Latest Practicable Date to 30 June 2016:

Business Strategy	Implementation Activities	Source of Funding
1. Further strengthen the information technology systems	— Software development (*Freight Management 3000*)	[Internal funds]
2. Attract and retain talented and experienced employees	— Participate in university job fairs	[Internal funds]

2.2 For the six months ending 31 December 2016:

Business Strategy	Implementation Activities	Source of Funding
1. Further expand its representative/branch office in major gateways of Malaysia	— Further expansion of Malacca & Johor branches	[REDACTED]% of the [REDACTED] of approximately HK$[REDACTED] million
2. Expand the scope of services	— Engagement of market research team to conduct research in rail freight services	[REDACTED]% of the [REDACTED] of approximately HK$[REDACTED] million
3. Further strengthen the information technology systems	— Software development (*Freight Management 3000*)	[REDACTED]% of the [REDACTED] of approximately HK$[REDACTED] million
4. Attract and retain talented and experienced employees	— Recruitment costs for new talents	[REDACTED]% of the [REDACTED] of approximately HK$[REDACTED] million

2.3 For the six months ending 30 June 2017:

Business Strategy	Implementation Activities	Source of Funding
1. Further expand its representative/branch office in major gateways of Malaysia	— Establishment of office in Padang Besar, Perlis, Malaysia (Thailand border) and warehouse in Penang	[REDACTED]% of the [REDACTED] of approximately HK$[REDACTED] million
2. Expand the scope of services	— Cost of establishing a small business developed team	[REDACTED]% of the [REDACTED] of approximately HK$[REDACTED] million
3. Further strengthen the information technology systems	— Purchase of network equipment — Upgrading of computers	[REDACTED]% of the [REDACTED] of approximately HK$[REDACTED] million
4. Attract and retain talented and experienced employees	— Additional recruiting cost for new talents	[REDACTED]% of the [REDACTED] of approximately HK$[REDACTED] million
5. Grow the business strategically through business acquisitions	— Payment for potential targets	[REDACTED]% of the [REDACTED] of approximately HK$[REDACTED] million

2.4 For the six months ending 31 December 2017:

Business Strategy	Implementation Activities	Source of Funding
1. Further expand its representative/branch office in major gateways of Malaysia	— Additional cost for upgrading requirements of the new offices	[REDACTED]% of the [REDACTED] of approximately HK$[REDACTED] million
2. Further strengthen the information technology systems	— Purchase of computers	[REDACTED]% of the [REDACTED] of approximately HK$[REDACTED] million
3. Grow the business strategically through business acquisitions	— Consideration for acquisition	[REDACTED]% of the [REDACTED] of approximately HK$[REDACTED] million

2.5 For the six months ending 30 June 2018:

Business Strategy	Implementation Activities	Source of Funding
1. Further expand its representative/branch office in major gateways of Malaysia	— Additional cost for upgrading requirements of the new offices	[REDACTED]% of the [REDACTED] of approximately HK$[REDACTED] million
2. Further strengthen the information technology systems	— Further improvement of IT function	[REDACTED]% of the [REDACTED] of approximately HK$[REDACTED] million

2.6 For the six months ending 31 December 2018:

Business Strategy	Implementation Activities	Source of Funding
1. Further expand its representative/branch office in major gateways of Malaysia	— Additional cost for upgrading requirements of the new offices	[REDACTED]% of the [REDACTED] of approximately HK$[REDACTED] million
2. Expand the scope of services	— Purchase warehouse in Padang Besar	[REDACTED]% of the [REDACTED] of approximately HK$[REDACTED] million

3. BASES AND ASSUMPTIONS

The business objectives set by the Directors are based on the following bases and assumptions:

- the Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the future plans relate;
- there will be no change in the funding requirement for each of the future plans described in this document from the amount as estimated by the Directors;
- there will be no material changes in existing laws and regulations, or other governmental policies relating to the Group, or in the political, economic or market conditions in which the Group operates;
- there will be no material changes in the bases or rates of taxation applicable to the activities of the Group;
- the [REDACTED] will be completed in accordance with and as described in the section headed "Structure and Conditions of the [REDACTED]" in this document;
- the Group will be able to retain key staff in the management and the main operational departments;
- the Group will be able to continue its operation in substantially the same manner as the Group has been operating during the Track Record Period and the Group will also be able to carry out the development plans without disruptions adversely affecting its operations or business objectives in any way;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of the Group; and
- the Group will not be materially affected by the risk factors as set out under the section headed "Risk Factors" in this document.

[REDACTED]

[REDACTED]

[REDACTED]

SHARE CAPITAL

The tables as shown below assume the [REDACTED] and the [REDACTED] has become unconditional and without taking into account any Shares which may be allotted and issued upon the exercise of any options to be granted under the Share Option Scheme or the exercise of the [REDACTED].

The authorised and issued share capital of the Company before and following the completion of the [REDACTED] and [REDACTED] is as follows:

		HK$
Authorised share capital:		
1,000,000,000	Shares	10,000,000
Shares in issue or to be issued, fully paid or credited as fully paid:		
100	Shares in issue	1
[REDACTED]	Shares to be allotted and issued pursuant to [REDACTED] *(Note)*	[REDACTED]
[REDACTED]	Shares to be allotted and issued pursuant to the [REDACTED]	[2,000,000]
[REDACTED]	Total	[REDACTED]

Note: Pursuant to the written resolutions of the Shareholders passed on [●] 2016, conditional upon the share premium account of the Company being credited as a result of the [REDACTED], the Directors were authorised to capitalise the amount of HK$[REDACTED] from the amount standing to the credit of the share premium account of the Company and to appropriate such amount as to pay up in full at par [REDACTED] Shares for allotment and issue to the persons whose names appeared on the register of members of the Company at the close of business on [●] 2016, in proportion (or as nearly as possible without involving fractions) to their respective shareholdings in the Company.

ASSUMPTIONS

The tables as shown above assume the [REDACTED] becoming unconditional and the allotment and issue of Shares pursuant thereto and under the [REDACTED] is made as described herein. It does not take into account any Shares which may be issued upon the exercise of the [REDACTED] and options to be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate given to the Directors to allot and issue or repurchase Shares referred to in the paragraph headed "General mandate to issue shares" or the paragraph headed "General mandate to repurchase shares" in this section below, as the case may be.

RANKING

The [REDACTED] will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned herein, and will qualify for all dividends or other distributions declared, made or paid after the date of this document, save for entitlements under the [REDACTED].

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme, please refer to paragraph 13 in Appendix V in this document for further details.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed "Structure and conditions of the [REDACTED] — Conditions of the [REDACTED]" below being fulfilled, the Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

(a) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the [REDACTED] and the [REDACTED]; and

(b) the aggregate nominal value of the share capital of the Company repurchased pursuant to the authority granted to the Directors as referred to in the paragraph headed "General Mandate to Repurchase Shares" below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of any options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until:

(a) the conclusion of the Company's next annual general meeting;

(b) the expiration of the period within which the Company's next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or

(c) it is varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

For further details of this general mandate, please refer to paragraph 3 of Appendix V in this document.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on conditions as stated in the section headed "Structure and conditions of the [REDACTED] — Conditions of the [REDACTED]" being fulfilled, the Directors have been granted a general unconditional mandate to exercise all the powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than [REDACTED] of the aggregate nominal value of the Company's share capital in issue immediately following the completion of the [REDACTED] and the [REDACTED] (excluding any Shares which may be issued upon the exercise of the [REDACTED] or any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme).

This mandate only relates to repurchase made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraphs headed "Appendix V — Further information about the Company and its subsidiaries — 6. Repurchase by the Company of its own securities".

The general mandate to repurchase Shares will remain in effect until:

(i) the conclusion of the Company's next annual general meeting;

(ii) the expiration of the period within which the Company's next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or

(iii) it is varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

For further details of this general mandate, please refer to paragraph 6 of Appendix IV and paragraph 3 of Appendix V in this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles of Association. For further details, please refer to paragraph 2 of Appendix IV in this document.

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.

1. [REDACTED]

1.1 [REDACTED]

[●]

1.2 Other [REDACTED]

[●]

2. [REDACTED] ARRANGEMENTS

2.1 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2.5 [REDACTED]

The [REDACTED] are expected to receive an [REDACTED] of [REDACTED]% of the aggregate [REDACTED] of all the [REDACTED] in accordance with the terms of the [REDACTED], under which the [REDACTED] may pay any [REDACTED] or [REDACTED] commission in connection with the [REDACTED]. The Sponsor will, in addition, receive a sponsor's fee in relation to the [REDACTED] and will be reimbursed for their expenses. The aggregate fees and commission, together with the Stock Exchange [REDACTED] fees, the Stock Exchange trading fee and SFC transaction levy, legal and other professional fees, printing and other expenses relating to the [REDACTED], are currently estimated to be approximately RM[REDACTED] million in aggregate, assuming the [REDACTED] is not exercised and based on a [REDACTED] of HK$[REDACTED] which will be payable by the Company.

2.6 [REDACTED]' interest in the Company

Save for its interest and obligations under the [REDACTED] and save as disclosed in the document, none of the [REDACTED] or any of their respective close associates is interested beneficially or non-beneficially in any Shares in any member of the Group nor has any right (whether legally enforceable or not) or option to subscribe for or nominate persons to subscribe for any Shares.

2.7 Sponsor and its independence

[REDACTED] The Sponsor has received or will receive a sponsor fee of HK$[REDACTED] in connection with the [REDACTED].

The Sponsor satisfies the independence criteria applicable to the Sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a report received from the Company's reporting accountant, BDO Limited, Certified Public Accountant, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

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[Date]

The Directors
Worldgate Global Logistics Ltd
[REDACTED]

Dear Sirs,

We set out below our report on the financial information relating to Worldgate Global Logistics Ltd (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the two years ended 31 December 2014 and 2015 (the "Track Record Period"), the combined statements of financial position of the Group as at 31 December 2014 and 2015, together with summary of significant accounting policies and other explanatory notes thereto (the "Financial Information"), prepared on the basis of presentation set forth in Note 2 of Section II in this report below, for inclusion in the document of the Company dated 18 February 2016 in connection with the proposed [REDACTED] of the shares of the Company on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Document").

The Company, which acts as an investment holding company, was incorporated in the Cayman Islands as an exempted company with limited liability on 18 February 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Through a group reorganisation, as more fully explained in the Section headed "History, Reorganisation and Corporate Structure" in the Document (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on ***[Date]***. The Company has not carried out any business since the date of incorporation saved for the Reorganisation.

At the date of this report, the Company has the following subsidiaries, all of which are private limited liability companies, particulars of which are set out below:

Name of the subsidiary	Place and date of incorporation	Issued and fully paid share capital	Equity interest attributable to the Group		Principal activities
			Directly	Indirectly	
Worldgate International Investment Limited ("Worldgate International")	British Virgin Islands ("BVI") 2 October 2015	US$100	100%	N/A	Investment holding
Gallant Pride Limited ("Gallant Pride")	BVI 1 July 2015	US$50,000	N/A	100%	Investment holding
Billion Oriental Limited ("Billion Oriental")	BVI 1 July 2015	US$50,000	N/A	100%	Investment holding
Superb Vantage Limited ("Superb Vantage")	BVI 7 July 2015	US$50,000	N/A	100%	Investment holding
Dong Tai Logistics Holdings Limited ("Dong Tai BVI")	BVI 30 March 2015	US$1	N/A	100%	Investment holding
Worldgate Express Services Sdn. Bhd. ("Worldgate Express")	Malaysia 25 November 1999	RM5,000,000	N/A	100%	Freight forwarder
My Forwarder International Sdn. Bhd. ("My Forwarder")	Malaysia 6 May 2005	RM1,000,000	N/A	100%	Freight forwarder
Freight Transport Network Sdn. Bhd. ("Freight Transport")	Malaysia 8 January 2010	RM1,000,000	N/A	100%	Freight forwarder
Dong Tai Logistics (Hong Kong) Holdings Limited ("Dong Tai HK")	Hong Kong 20 April 2015	HK$10,000	N/A	100%	Provide supporting services to other Group's entities
Worldgate Haulage Services Sdn. Bhd. ("Worldgate Haulage")	Malaysia 18 February 2016	RM50	N/A	100%	Provision of trucking and haulage services

All companies now comprising the Group have adopted 31 December as their financial year end date.

No audited financial statements have been prepared for the Company, Worldgate Haulage and Dong Tai HK as it is newly incorporated and has not been involved in any significant business transactions except for the Reorganisation.

No audited financial statements have been prepared for Worldgate International, Gallant Pride, Billion Oriental, Superb Vantage and Dong Tai BVI since they are not subjected to any statutory audit requirements under their jurisdictions of incorporation.

The statutory financial statements of the Company's subsidiaries established in Malaysia were prepared in accordance with Malaysia Financial Reporting Standards issued by Malaysian Accounting Standards Board and International Financial Reporting Standards issued by International Accounting Standards Board and were audited by:

Name of subsidiary	Financial year	Name of certified public accountants
Worldgate Express	Year ended 31 December 2014	UHY, Chartered Accountants
	Year ended 31 December 2015	BDO Malaysia (AF0206)
My Forwarder	Year ended 31 December 2014	UHY, Chartered Accountants
	Year ended 31 December 2015	BDO Malaysia (AF0206)
Freight Transport	Year ended 31 December 2014	UHY, Chartered Accountants
	Year ended 31 December 2015	BDO Malaysia (AF0206)

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Track Record Period (the "Underlying Financial Statements") on the basis of presentation as set out in Note 2 to Section II below and the accounting policies set out in Note 4 of Section II below which are in conformity with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements with no adjustment made thereon.

RESPONSIBILITY

The directors of the Company are responsible for the contents of the Document including the preparation and true and fair presentation of the Financial Information in accordance with the basis of presentation set out in Note 2 to the Financial Information below and the accounting policies set out in Note 4 of Section II below and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"), and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an independent opinion on the Financial Information based on our procedures and to report our opinion to you.

BASIS OF OPINION

For the purpose of this report, we have carried out audited procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by HKICPA and have examined the Financial Information of the Group and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. For the purpose of this report, no adjustment to the Financial Information is considered necessary.

OPINION

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis of presentation set out in Note 2 to the Financial Information below and in accordance with the accounting policies set out in Note 4 to the Financial Information below, gives a true and fair view of the financial position of the Group as at 31 December 2014 and 2015 and of the financial performance and cash flows of the Group for the Track Record Period.

I. FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

For the years ended 31 December 2014 and 2015

	Notes	2014 RM	2015 RM
Revenue	*7*	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	*8*	897,485	2,121,676
Administrative expenses		(7,921,370)	(11,787,616)
Finance costs	*14*	(611,027)	(1,055,842)
Profit before income tax expense	*9*	5,751,229	10,091,500
Income tax expense	*15*	(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

Combined Statements of Financial Position

As at 31 December 2014 and 2015

	Notes	2014 RM	2015 RM
Non-current assets			
Property, plant and equipment	*17*	21,862,424	25,103,098
Prepayment for acquisition of property, plant and equipment		416,500	416,500
Total non-current assets		22,278,924	25,519,598
Current assets			
Trade and other receivables	*18*	13,446,000	19,293,015
Amounts due from directors	*19(a)*	530,094	5,972
Amounts due from shareholders	*19(b)*	—	7,756,560
Amounts due from related companies	*20*	2,178,895	—
Tax recoverable		—	526
Cash and cash equivalents		5,365,722	15,887,100
Total current assets		21,520,711	42,943,173
Current liabilities			
Trade and other payables	*21*	7,245,968	14,384,435
Bank borrowings, secured	*22*	1,096,369	950,012
Current tax liabilities		405,507	1,715,503
Finance lease obligations	*24*	1,879,941	1,727,777
Total current liabilities		10,627,785	18,777,727
Net current assets		10,892,926	24,165,446
Total assets less current liabilities		33,171,850	49,685,044
Non-current liabilities			
Deferred tax liabilities	*23*	530,832	935,874
Bank borrowings, secured	*22*	11,156,643	14,152,594
Finance lease obligations	*24*	4,975,579	4,291,329
Total non-current liabilities		16,663,054	19,379,797
Net assets		16,508,796	30,305,247
Capital and reserves			
Share capital	*25*	7,000,000	7,000,429
Reserves	*26*	9,508,796	23,304,818
Total equity		16,508,796	30,305,247

Combined Statements of Changes in Equity

For the years ended 31 December 2014 and 2015

		Reserves			
	Share capital (Note 25)	Share premium	Exchange reserve	Retained earnings	Total
	RM	RM	RM	RM	RM
Balance at 1 January 2014	1,900,000	—	—	10,733,354	12,633,354
Profit for the year	—	—	—	3,875,442	3,875,442
Other comprehensive income	—	—	—	—	—
Total comprehensive income	—	—	—	3,875,442	3,875,442
Issue of bonus shares	5,100,000	—	—	(5,100,000)	—
Balance at 31 December 2014 and 1 January 2015	7,000,000	—	—	9,508,796	16,508,796
Profit for the year	—	—	—	6,969,468	6,969,468
Other comprehensive income	—	—	(2,308)	—	(2,308)
Total comprehensive income	—	—	(2,308)	6,969,468	6,967,160
Issuance of [REDACTED] related to [REDACTED] investment	429	9,972,288	—	—	9,972,717
Dividends recognised as distribution *(Note 10)*	—	—	—	(3,143,426)	(3,143,426)
Balance at 31 December 2015	7,000,429	9,972,288	(2,308)	13,334,838	30,305,247

Combined Statements of Cash Flows

For the years ended 31 December 2014 and 2015

	Notes	2014 RM	2015 RM
Cash flows from operating activities			
Profit before income tax		5,751,229	10,091,500
Adjustments for:			
Depreciation of property, plant and equipment		1,457,165	2,595,533
Gain on disposal of property, plant and equipment		(15,134)	(222,327)
Unrealised gain on foreign exchange		(406,414)	(996,940)
Written-off of property, plant and equipment		—	265,940
Written-off of loans and receivables		27,836	242,281
Interest income	*8*	(1,043)	(42,240)
Finance costs	*14*	611,027	1,055,842
Operating profit before working capital changes		7,424,666	12,989,589
Increase in trade and other receivables		(2,374,151)	(5,977,383)
Increase in trade and other payables		3,594,829	7,274,814
Cash generated from operations		8,645,344	14,287,020
Interest paid		(611,027)	(1,055,842)
Income taxes paid		(1,364,078)	(1,407,520)
Net cash generated from operating activities		6,670,239	11,823,658
Cash flows from investing activities			
Purchases of property, plant and equipment		(13,236,028)	(4,931,907)
Proceeds from disposal of property, plant and equipment		383,801	225,527
(Increase)/decrease in amounts due from related companies		(1,007,429)	2,178,895
Interest received		1,043	42,240
Net cash used in investing activities		(13,858,613)	(2,485,245)

	Notes	2014 RM	2015 RM
Cash flows from financing activities			
Proceed from bank borrowings		12,372,237	3,959,930
Repayment of bank borrowings		(765,567)	(1,110,336)
(Increase)/decrease in amounts due from directors		(220,520)	524,122
Dividends paid		—	(3,143,426)
Subscription of new shares		—	2,213,849
Repayment of finance lease obligations		(1,697,018)	(2,009,854)
Net cash generated from financing activities		9,689,132	434,285
Net increase in cash and cash equivalents		2,500,758	9,772,698
Effects of exchange rate changes on cash and cash equivalents		290,978	748,680
Cash and cash equivalents at beginning of year		2,573,986	5,365,722
Cash and cash equivalents at end of year	*34*	5,365,722	15,887,100

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 February 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office and the principal place of business is disclosed in the section "Corporate Information" in the Document.

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). The principal activities of the Group are expressed in Malaysian Ringgit ("RM"). Accordingly, the Group uses RM as its reporting currency.

2. REORGANISATION AND BASIS OF PRESENTATION

The companies now comprising the Group underwent a series of reorganisation. Prior to the Reorganisation, the entire equity interests of Worldgate Express, My Forwarder and Freight Transport were directly held by two individuals, namely Mr. Lee Chooi Seng ("Mr. Lee") and Mr. Chin Seng Leong ("Mr. Chin") (collectively referred to as the "Controlling Shareholders"). Worldgate Express, My Forwarder and Freight Transport were beneficially and wholly-owned by the Controlling Shareholders collectively.

On 9 October 2015, RLDC Investment Holdings Limited (the "RLDC Investment") was incorporated in the BVI and on 28 October 2015, 25,000 shares of US$1.00 each were allotted and issued to each of the Controlling Shareholders.

On 2 October 2015, Worldgate International was incorporated in the BVI and on 28 October 2015, 74 shares of US$1.00 each were allotted and issued to RLDC Investment at a consideration of RM28,178,800 (or equivalent to HK$51,230,769).

The Company was incorporated in the Cayman Islands on 18 February 2016. The initial authorised share capital of the Company was HK$380,000 divided into 38,000,000 shares of HK$0.01 each. Upon incorporation, one nil paid subscriber share (the "Initial Share") was allotted and issued to its initial subscriber. On the same day, the initial subscriber, transferred its 1 Initial Share to RLDC Investment at the direction of the Controlling Shareholders for cash at par value.

On 28 October 2015, Upright Plan Limited ("Upright Plan") subscribed for 13 shares in Worldgate International, representing 13% of the entired issued share capital of Worldgate International on a fully diluted basis in cash for RM4,986,359 (or equivalent to HK$9,000,000).

On 28 October 2015, Champion Ascent Limited ("Champion Ascent") subscribed for 13 shares in Worldgate International, representing 13% of the entire issued share capital of Worldgate International on a fully diluted basis in cash for RM4,986,359 (or equivalent to HK$9,000,000).

On 1 July 2015, Gallant Pride was incorporated in the BVI and on 28 October 2015, 50,000 shares of US$1.00 each were allotted and issued to Worldgate International.

On 1 July 2015, Billion Oriental was incorporated in the BVI and on 28 October 2015, 50,000 shares of US$1.00 each were allotted and issued to Worldgate International.

On 7 July 2015, Superb Vantage was incorporated in the BVI and on 28 October 2015, 50,000 shares of US$1.00 each were allotted and issued to Worldgate International.

On 28 October 2015, Worldgate International acquired the entire equity interest of Dong Tai BVI for cash at par.

On [●], the Controlling Shareholders transferred their entire issued share capital of Worldgate Express to Gallant Pride for cash at par.

2. REORGANISATION AND BASIS OF PRESENTATION (CONTINUED)

On [●], the Controlling Shareholders transferred their entire issued share capital of My Forwarder to Billion Oriental for cash at par.

On [●], the Controlling Shareholders transferred their entire issued share capital of Freight Transport to Superb Vantage for cash at par.

On 18 February 2016, Worldgate Haulage was incorporated in Malaysia, and 50 shares of RM1 each were allotted issued to each of the Controlling Shareholders.

On 22 February 2016, Worldgate Express subscribed for 499,900 shares in Worldgate Haulage at par value.

On [●], the Controlling Shareholders transferred their entire issued share capital of Worldgate Haulage to Worldgate Express for [cash at par].

On [●], pursuant to the sale and purchase agreement dated [●] entered into between the Controlling Shareholders, RLDC Investment, Upright Plan, Champion Ascent and the Company, RLDC Investment, Upright Plan and Champion Ascent transferred their entire shareholding interest in Worldgate International to the Company, in consideration of which (i) the Initial Shares held by RLDC Investment be credited as fully paid; (ii) the Company allotted and issued 73 Shares to RLDC Investment credited as fully paid; (iii) the Company allotted and issued 13 Shares to Upright Plan credited as fully paid; and (iv) the Company allotted and issued 13 Shares to Champion Ascent credited as fully paid.

Pursuant to the Reorganisation, which was completed by interspersing RLDC Investment, which was an investment holding company incorporated in the BVI with limited liability, and the Company between the Controlling Shareholders and Worldgate International, the Company became the holding company of the companies now comprising the Group on ***[Date]***. RLDC Investment is the immediate and ultimate holding company of the Company after the Reorganisation and not forming part of the Group. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Financial Information has been prepared as if the Company had always been the holding company of the Group.

The Company and its subsidiaries now comprising the Group have been both before and after the Reorganisation under the common control of the Controlling Shareholders. A contractual arrangement existed among the Controlling Shareholders to manage the business and operations of the Group on a collective basis. The Controlling Shareholders have made collective decisions in respect of the financing and operating activities that significantly affect the Group's returns. Accordingly, the Controlling Shareholders are regarded as the controlling parties of the Group throughout the Track Record Period and the Reorganisation has been accounted for in accordance with Hong Kong Accounting Guideline 5 Merger Accounting for Common Control Combinations and the Financial Information has been prepared using the merger basis of accounting as if the current group structure had been in existence throughout the Track Record Period.

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period have been prepared to present the results and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the Track Record Period or since the respective dates of incorporation, which is a 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, taken into account the respective dates of incorporation.

All intra-group transactions, balances and unrealised gains on transactions have been eliminated in full on combination. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which the case the loss is recognised in profit or loss. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently applied all HKFRSs, Hong Kong Accounting standards ("HKASs"), amendments and interpretations issued by the HKICPA which are effective during the Track Record Period.

At the date of this report, the HKICPA has issued the following new or revised HKFRSs, potentially relevant to the Group's Financial Information, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9 (2014)	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 15	Revenue from Contracts with Customers[2]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2018
[3] No mandatory effective date yet determined but is available for adoption

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group has already commenced an assessment of the impact of adopting the above Standards and amendments to existing standards to the Group. The Group has so far concluded that the application of these new pronouncements will have no material impact on the Financial Information.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with all applicable HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as the "HKFRS") issued by HKICPA. In addition, the Financial Information includes applicable disclosures required by the GEM Listing Rules.

The Financial Information has been prepared under the historical cost basis.

(a) Basis of preparation

Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statements of the Company and its subsidiaries comprising the Group for the Track Record Period. As explained in Note 2 above, the acquisition of the subsidiaries under common control has been accounted for using merger accounting.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's interest. All differences between the cost of acquisition and the amount at which the assets and liabilities are recorded have been recognised directly in equity as part of reserve.

The Financial Information includes the results and financial positions of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities first came under common control, where this is a shorter period, regardless of the date of the common control combination.

Basis of consolidation

The results of subsidiaries acquired or disposed of during the year are included in the combined statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any excess of the acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the consolidation of a business combination is recognised immediately in profit or loss.

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

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

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

Freehold land	N/A
Buildings	50 years
Motor vehicles	5 years
Leasehold improvement	10 years
Computer	3–5 years
Furniture, fixture and equipment	10 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) 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.

The Group as lessee

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.

(e) Financial Instruments

(i) ***Financial assets***

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loan and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) ***Impairment loss on financial assets***

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) ***Financial liabilities***

Financial liabilities at amortised cost including trade and other payables, bank borrowings and finance lease obligations are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) ***Equity instruments***

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) ***Derecognition***

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(f) 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.

(g) Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(h) Foreign currency

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

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

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

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

(i) Employee benefits

(i) ***Short-term employee benefits***

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

(ii) ***Defined contribution retirement plan***

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

(iii) ***Termination benefits***

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

(j) Impairment of assets (other than financial assets)

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.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(k) Provisions and contingent liabilities

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

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

(l) Segment reporting

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

(m) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Useful lives of property, plant and equipment

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

(ii) Impairment of loans and receivables

The Group assess at each reporting date whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

(iii) Income taxes

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

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

(iv) Classification of bank borrowings

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

The Group classifies its fixed term bank borrowings with these registered banks in Malaysia as current and non-current liabilities in accordance with terms and conditions as stated in respective bank loan agreements.

6. SEGMENT INFORMATION

(a) Business segment

The Group has been operating in one operating and reportable segment, being the provision of freight forwarding and related services in Malaysia (country of domicile). The chief operating decision maker make decisions based on the Financial Information of the Group prepared in accordance with HKFRS about resources allocation and performance assessment.

(b) Geographic information

For the geographical information, revenues from external customers are based on the location of operations. Since the Group solely operates business in Malaysia and all of the non-current assets of the Group are located in Malaysia, no geographical segment information is presented in accordance with HKFRS 8 Operating Segments.

(c) Information about major customers

Revenue from customers individually contributing over 10% of the total revenue of the Group for the Track Record Period were as follow:

	2014	2015
	RM	RM
Customer I	19%	32%
Customer II	14%	13%

7. REVENUE

Revenue of the Group represents revenue generated from provision of (i) air freight forwarding and related services; (ii) sea freight forwarding and related services; and (iii) trucking and warehouse and related services. The amounts of each significant category of revenue recognised during the Track Report Period are as follows:

	2014	2015
	RM	RM
Air freight forwarding and related services	27,101,088	47,242,954
Sea freight forwarding and related services	30,930,907	32,744,309
Trucking and warehouse and related services	2,342,827	3,056,630
	60,374,822	83,043,893

8. OTHER REVENUE

	2014	2015
	RM	RM
Interest income from bank deposits	1,043	42,240
Gain on foreign exchange:		
— realised gain	474,894	799,898
— unrealised gain	406,414	996,940
Gain on disposal of property, plant and equipment	15,134	222,327
Others	—	60,271
	897,485	2,121,676

9. PROFIT BEFORE INCOME TAX EXPENSE

	2014	2015
	RM	RM
Profit before income tax expense is arrived at after charging:		
Auditor's remuneration	45,932	345,782
Employee costs *(Note 11)*	6,331,069	7,610,688
Written-off of loans and receivables	27,836	242,281
Written-off of property, plant and equipment	—	265,940
Depreciation of property, plant and equipment:		
— Owned	278,518	553,486
— Held under finance leases	1,178,647	2,042,047
Minimum lease payments under operating leases recognised as expense in the year	824,389	928,938
[REDACTED] (including professional fees and other expenses)	—	1,445,481

10. DIVIDENDS

	2014	2015
	RM	RM
Interim dividends attributable to owners of the company	—	3,143,426
Final dividends proposed after the end of reporting period	—	12,000,000
	—	15,143,426

No dividend has been paid or declared by the Company since its incorporation. For the purpose of the Financial Information, the interim dividends for the year ended 31 December 2015 amounting to RM3,143,426 represented interim dividends declared by certain group entities to their then shareholders.

In March 2016, the directors of certain subsidiaries proposed final dividends amounting to RM12,000,000 in aggregate. The final dividend proposed subsequent to 31 December 2015 has not been recognised as a liability as at 31 December 2015 in the Financial Information.

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this Financial Information.

11. EMPLOYEE COSTS

	2014	2015
	RM	RM
Employee costs (including directors) comprise:		
Wages and salaries	5,339,986	6,492,218
Short-term non-monetary benefits	296,085	295,189
Contributions to retirement benefit schemes	694,998	823,281
	6,331,069	7,610,688

12. DIRECTORS' EMOLUMENTS

The aggregate amount of emoluments paid or payable to each of the directors as at the date of this report during the Track Record Period are as follow:

Year ended 31 December 2014:

	Fees	Salaries and other benefits	Discretionary bonus	Contributions to retirement benefit schemes	Total
	RM	RM	RM	RM	RM
Executive directors					
Lee Chooi Seng	—	418,000	26,000	52,640	496,640
Chin Seng Leong	—	356,000	22,000	44,720	422,720
	—	774,000	48,000	97,360	919,360

Year ended 31 December 2015:

	Fees	Salaries and other benefits	Discretionary bonus	Contributions to retirement benefit schemes	Total
	RM	RM	RM	RM	RM
Executive directors					
Lee Chooi Seng	—	443,700	58,000	59,204	560,904
Chin Seng Leong	—	382,500	50,000	50,900	483,400
	—	826,200	108,000	110,104	1,044,304

13. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included two directors for each of the year ended 31 December 2014 and 2015. The emoluments of the remaining three highest paid individuals for each of the year ended 31 December 2014 and 2015 were as follow:

	2014	2015
	RM	RM
Salaries and other benefits	453,090	506,580
Contributions to retirement benefit schemes	55,275	61,463
	508,365	568,043

The emoluments of each of the above non-director highest paid individuals during the Track Record Period were all within the band of nil to RM421,800 (approximately nil to HK$1,000,000) and nil to RM500,751 (approximately nil to HK$1,000,000) in 2014 and 2015, respectively.

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors nor the five highest paid individuals has waived or agreed to waive any emoluments during the Track Record Period.

14. FINANCE COSTS

	2014	2015
	RM	RM
Interest on bank overdrafts	82,590	81,866
Interest on bank borrowings	243,296	576,608
Interest on finance lease	285,141	397,368
	611,027	1,055,842

15. INCOME TAX EXPENSE

The amount of income tax expense in the combined statements of comprehensive income represents:

	2014	2015
	RM	RM
Current tax — Malaysia profit tax		
— charge for the year	1,458,612	3,104,994
— over-provision in respect of prior years	(66)	(388,004)
	1,458,546	2,716,990
Deferred tax *(Note 23)*		
— charge for the year	417,241	405,042
Income tax expense	1,875,787	3,122,032

Malaysian income tax is calculated at the statutory rate of 25% of the estimated taxable profit for the year. Certain subsidiaries incorporated in Malaysia enjoy tax rate of 20% on the first RM500,000 and remaining balance of the estimated taxable profit at tax rate of 25%.

No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong for the years ended 31 December 2014 and 2015. Taxation for oversea subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

The income tax expense for the Track Record Period can be reconciled to the profit before income tax expense per the combined statements of comprehensive income as follows:

	2014	2015
	RM	RM
Profit before income tax expense	5,751,229	10,091,500
Tax calculated at the domestic tax rate	1,437,807	2,862,229
Tax incentive obtained from differential tax rate of 20%	(73,630)	(46,043)
Tax effect of expenses not deductible for tax purposes	529,787	694,359
Tax effect of revenue not taxable	(18,111)	(509)
Over-provision of tax expense in prior years	(66)	(388,004)
Income tax expense	1,875,787	3,122,032

16. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the group reorganisation and the presentation of the results for the Track Record Period on a combined basis as disclosed in Note 2 above.

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Leasehold land and buildings	Motor vehicles	Leasehold improvement	Computer	Furniture, fixture and equipment	Total
	RM	RM	RM	RM	RM	RM	RM
Cost:							
At 1 January 2014	316,600	685,501	4,341,210	640,908	659,906	501,515	7,145,640
Additions	—	12,537,169	6,347,110	243,955	213,210	221,694	19,563,138
Disposals	—	—	(535,000)	—	—	—	(535,000)
At 31 December 2014	316,600	13,222,670	10,153,320	884,863	873,116	723,209	26,173,778
Additions	910,000	479,206	1,190,465	3,252,174	128,861	144,641	6,105,347
Written off	—	—	(271,400)	—	(48,000)	—	(319,400)
Disposals	—	—	(97,000)	—	—	(16,000)	(113,000)
At 31 December 2015	1,226,600	13,701,876	10,975,385	4,137,037	953,977	851,850	31,846,725
Accumulated depreciation:							
At 1 January 2014	—	142,470	1,707,357	417,342	449,027	304,326	3,020,522
Charge for the year	—	14,247	1,178,647	87,647	105,215	71,409	1,457,165
Disposal	—	—	(166,333)	—	—	—	(166,333)
At 31 December 2014	—	156,717	2,719,671	504,989	554,242	375,735	4,311,354
Charge for the year	—	268,488	2,042,047	112,343	109,765	62,890	2,595,533
Written off	—	—	(5,460)	—	(48,000)	—	(53,460)
Disposal	—	—	(97,000)	—	—	(12,800)	(109,800)
At 31 December 2015	—	425,205	4,659,258	617,332	616,007	425,825	6,743,627
Net carrying amount:							
At 31 December 2014	316,600	13,065,953	7,433,649	379,874	318,874	347,474	21,862,424
At 31 December 2015	1,226,600	13,276,671	6,316,127	3,519,705	337,970	426,025	25,103,098

At the end of reporting period, land included in property, plant and equipment with a net carrying amount of RM316,600 and RM1,226,600 as at 31 December 2014 and 2015, respectively is situated outside Hong Kong and is held freehold.

The carrying amount of motor vehicles include an amount of RM7,433,649 and RM6,316,127 as of 31 December 2014 and 2015, respectively in respect of assets held under finance leases.

At the end of reporting period, certain of the Group's land and buildings with net carrying amount of RM13,382,553 and RM14,503,271 as at 31 December 2014 and 2015, respective were pledged to secure the bank borrowings granted to the Group by licensed banks (Note 22).

18. TRADE AND OTHER RECEIVABLES

	2014	2015
	RM	RM
Trade receivables	11,529,730	17,600,929
Prepayments and deposits	1,060,848	1,158,865
Other receivables	855,422	533,221
	13,446,000	19,293,015

The average credit period granted to trade debtors ranging from 30–60 days from the invoice date.

Included in trade and other receivables are trade debtors (net of impairment losses) with the following aging analysis, based on invoice dates, as at 31 December 2014 and 2015:

	2014	2015
	RM	RM
Within 1 month	5,362,886	8,832,092
1 to 2 months	3,574,754	6,519,734
2 to 3 months	1,236,547	1,436,054
Over 3 months	1,355,543	813,049
	11,529,730	17,600,929

At the end of each of the reporting periods, the Group reviews trade and other receivables for evidence of impairment on both individual and collective basis. Based on the impairment assessment, no impairment loss has been recognised as at 31 December 2014 and 2015. The Group did not hold any collateral as security or other credit enhancement over the trade receivables.

The aging of trade receivables which are past due but not impaired is as follows:

	2014	2015
	RM	RM
Neither past due nor impaired	5,534,876	9,033,762
Past due but not impaired:		
Less than 1 month	3,546,627	6,432,789
1 to 3 months	1,753,263	1,713,860
More than 3 months but less than 12 months	694,964	420,518
	5,994,854	8,567,167

Trade receivables that were past due but not impaired related to a number of independent customers that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

19. AMOUNTS DUE FROM DIRECTORS AND SHAREHOLDERS

(a) Amounts due from directors of the Group are disclosed as follow:

	As at 1 January 2014	As at 31 December 2014	Maximum outstanding amount during the year^
	RM	RM	RM
Mr. Lee	154,787	265,047	324,746
Mr. Chin	154,787	265,047	324,746
	309,574	530,094	

	As at 1 January 2015	As at 31 December 2015	Maximum outstanding amount during the year^
	RM	RM	RM
Mr. Lee	265,047	2,986	267,259
Mr. Chin	265,047	2,986	267,259
	530,094	5,972	

^ These amounts represented the maximum amounts due from the respective directors during the respective years.

The amount is non-trade related, unsecured, interest-free and repayable on demand.

(b) Amounts due from shareholders are disclosed as below:

	As at 1 January 2015	As at 31 December 2015	Maximum outstanding amount during the year^
	RM	RM	RM
Upright Plan	—	3,878,280	3,878,280
Champion Ascent	—	3,878,280	3,878,280
	—	7,756,560	

^ These amounts represented the maximum amounts due from the respective shareholders during the respective years.

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

No amount due from shareholder was noted for the year 31 December 2014.

20. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from related companies are as follow:

	As at 1 January 2014	As at 31 December 2014	Maximum outstanding amount during the year^
	RM	RM	RM
WG Resources International Sdn. Bhd.	244,268	201,868	244,268
Worldgate Resources Group Sdn. Bhd.	368,969	1,150,319	1,150,319
PT Worldgate Resources Express	558,229	826,708	826,708
	1,171,466	2,178,895	

	As at 1 January 2015	As at 31 December 2015	Maximum outstanding amount during the year^
	RM	RM	RM
WG Resources International Sdn. Bhd.	201,868	—	201,868
Worldgate Resources Group Sdn. Bhd.	1,150,319	—	1,150,319
PT Worldgate Resources Express	826,708	—	826,708
	2,178,895	—	

^ These amounts represented the maximum amounts due from the related companies during the respective years.

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

The amounts due are unsecured, interest-free and repayable on demand.

21. TRADE AND OTHER PAYABLES

	2014	2015
	RM	RM
Trade payables	4,471,783	9,454,500
Other payables, accruals and deposit received	2,774,185	4,929,935
	7,245,968	14,384,435

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

Included in trade and other payables are trade creditors with the following aging analysis, based on invoice dates, as at 31 December 2014 and 2015:

	2014	2015
	RM	RM
0 to 30 days	2,440,968	3,640,095
31 to 60 days	1,707,822	4,664,434
61 to 90 days	155,710	758,580
Over 90 days	167,283	391,391
	4,471,783	9,454,500

22. BANK BORROWINGS, SECURED

	2014	2015
	RM	RM
Secured and interest-bearing bank borrowings[(1)]	11,758,290	15,085,970
Bank overdraft	494,722	16,636
	12,253,012	15,102,606
Bank borrowings are repayable as follows:		
— on demand or within one year	1,096,369	950,012
— more than one year, but not exceeding two years	633,708	1,049,383
— more than two years, but not exceeding five years	2,103,806	3,372,879
— after five years	8,419,129	9,730,332
	12,253,012	15,102,606
Amount due within one year included in current liabilities	(1,096,369)	(950,012)
Amount include in non-current liabilities	11,156,643	14,152,594

Notes:

(1) Bank borrowings are interest-bearing at the banks' base lending rate adjusted by certain basis points per annum. The interest rates of the Group's bank borrowings as at 31 December 2014 and 2015 granted under banking facilities ranged from 4.2% to 6.8% and 4.2% to 6.9% per annum, respectively.

(2) As at 31 December 2014 and 2015, 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 and RM14,152,594, respectively.

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

Accordingly, the liability associated with the term loans of the Group raised in Malaysia that contained a repayable on demand clause is classified as current and/or non-current liability during the Track Record Period in accordance with other terms and conditions as stated in the respective term loan agreement.

Any change to the precedence established by the Courts of Law in Malaysia relating to the interpretation of the repayment on demand clause in the future may have an impact to the classification of the term loans of the Group.

The Group classifies its fixed term bank borrowings with certain registered banks in Malaysia as current and non-current liabilities in accordance with terms and conditions as stated in respective bank loan agreements.

(c) The Group's bank borrowings and banking facilities are secured by the followings:

— Land and buildings with net carrying amount of RM13,382,553 and RM14,503,271 as at 31 December 2014 and 2015, respectively (Note 17); and

— Personal guarantees from the Controlling Shareholders.

23. DEFERRED TAX LIABILITIES

Details of the deferred tax liabilities recognised and movements during the Track Record Period:

	Accelerated tax depreciation
	RM
At 1 January 2014	113,591
Charge to profit or loss for the year	417,241
At 31 December 2014 and 1 January 2015	530,832
Charge to profit or loss for the year	405,042
At 31 December 2015	935,874

No deferred tax asset has been provided in the Financial Information as there were no material deductible temporary differences as at 31 December 2014 and 2015.

24. FINANCE LEASE OBLIGATIONS

The Group leases certain motor vehicles. Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Future lease payments are due as follows:

At 31 December 2014:

	Minimum lease payments	Interest	Present value
	RM	RM	RM
Not later than one year	2,234,018	354,077	1,879,941
More than 1 year but less than 2 years	1,808,171	250,525	1,557,646
Later than 2 years and not later than 5 years	3,686,251	282,164	3,404,087
Later than five years	14,011	165	13,846
	7,742,451	886,931	6,855,520

At 31 December 2015:

	Minimum lease payments	Interest	Present value
	RM	RM	RM
Not later than one year	2,038,178	310,401	1,727,777
More than 1 year but less than 2 years	1,786,428	208,869	1,577,559
Later than 2 years and not later than 5 years	2,857,586	143,816	2,713,770
	6,682,192	663,086	6,019,106

The present value of future lease payments are analysed as:

	2014	2015
	RM	RM
Current liabilities	1,879,941	1,727,777
Non-current liabilities	4,975,579	4,291,329
	6,855,520	6,019,106

(a) The Group's finance lease liabilities are subject to personal guarantees provided by Mr. Lee and Mr. Chin, directors of the Group.

(b) The effective interest rates of the Group's finance lease liabilities as at 31 December 2014 and 2015 ranged from 2.4% to 3.4% and 2.4% to 3.4% per annum, respectively.

25. SHARE CAPITAL

For the purpose of this report, the issued capital of the Group as at 31 December 2014 and 2015 represents the combined share capital of the following group entities:

	2014	2015
	RM	RM
Worldgate Express	5,000,000	5,000,000
My Forwarder	1,000,000	1,000,000
Freight Transport	1,000,000	1,000,000
Worldgate International	N/A	429
	7,000,000	7,000,429

During the Track Record Period, 5,100,000 shares were issued as bonus shares by certain group entities to their shareholders.

26. RESERVES

The following describes the nature and purpose of each reserve within owners' equity:

Share premium

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

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy in Note 4(h).

27. OPERATING LEASES

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

At the end of each of the reporting period, the Group had operating lease commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014	2015
	RM	RM
Not later than one year	138,400	207,527
Later than one year and not later than five years	53,200	12,834
	191,600	220,361

28. RELATED PARTY TRANSACTIONS

(a) At 31 December 2014 and 2015, the Controlling Shareholders provide personal guarantees to secure for the bank borrowings and banking facilities (Note 22) and finance lease obligations (Note 24) grant to the Group.

At the date of this report, the Controlling Shareholders provide personal guarantees to the Group for bank borrowings and finance lease obligations. These personal guarantees will be released, discharged or replaced by corporate guarantees or other securities provided by the Group upon [REDACTED].

(b) The remuneration of directors and other members of key management during the Track Record Period were as follows:

	2014	2015
	RM	RM
Wages and salaries	1,439,143	1,655,630
Contributions to retirement benefits schemes	173,068	197,739
	1,612,211	1,853,369

29. CONTINGENT LIABILITIES

At the end of Track Record Period, bank guarantees of RM612,000 (2014: RM428,000) of the Group were issued to suppliers for operational requirements. The directors do not consider it probable that a claim will be made against the Group under these guarantees.

30. CAPITAL COMMITMENTS

	2014	2015
	RM	RM
Commitments for the acquisition of property, plant and equipment	2,519,710	3,151,498

31. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2014	2015
	RM	RM
Financial assets		
Loans and receivables		
— Cash and cash equivalents	5,365,722	15,887,100
— Trade and other receivables	12,614,929	18,476,073
— Amounts due from shareholders	—	7,756,560
— Amounts due from related companies	2,178,895	—
— Amounts due from directors	530,094	5,972
	20,689,640	42,125,705
Financial liabilities measured at amortised cost		
— Trade and other payables	7,245,968	13,679,259
— Finance lease obligations	6,855,520	6,019,106
— Bank borrowings	12,253,012	15,102,606
	26,354,500	34,800,971

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables, bank borrowings, finance lease obligations and balances with related companies, shareholders and directors.

Due to their short term nature, the carrying value of cash and cash equivalents, fixed deposit, trade and other receivables, trade and other payables, bank borrowings, finance lease obligations and balances with related companies, shareholders and directors approximates fair value.

32. FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

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

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers. Trade receivables are due within 30 to 60 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 36% (2014: 6%) and 51% (2014: 25%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively.

Substantial bank deposits are held in major financial institutions which management believes are of high credit quality.

(b) Liquidity risk

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

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

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or repayable on demand	More than 1 year but less than 2 years	More than 2 years but Less than 5 years	More than 5 years
	RM	RM	RM	RM	RM	RM
31 December 2014						
Trade and other payables	7,245,968	7,245,968	7,245,968	—	—	—
Bank borrowings	12,253,012	16,767,262	1,624,702	1,129,980	3,419,352	10,593,228
Finance lease obligations	6,855,520	7,742,451	2,234,018	1,808,171	3,686,251	14,011
	26,354,500	31,755,681	11,104,688	2,938,151	7,105,603	10,607,239

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or repayable on demand	More than 1 year but less than 2 years	More than 2 years but Less than 5 years	More than 5 years
	RM	RM	RM	RM	RM	RM
31 December 2015						
Trade and other payables	14,384,435	14,384,435	14,384,435	—	—	—
Bank borrowings	15,102,606	20,031,503	1,614,666	1,666,997	4,948,479	11,801,361
Finance lease obligations	6,019,106	6,682,192	2,038,178	1,786,428	2,857,586	—
	35,506,147	41,098,130	18,037,279	3,453,425	7,806,065	11,801,361

(c) Interest rate risk

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

All of the Group's bank borrowings as at 31 December 2014 and 2015 bore interest at floating rates whereas its finance lease liabilities bore interest at fixed rates. Details of bank borrowings and finance lease liabilities are disclosed in Notes 22 and 24, respectively.

The Group's bank balances, also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors of the Group consider the Group's exposure to interest rate risk in respect of bank balances is not significant due to low level of deposit interest rate.

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

At 31 December 2014 and 2015, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit for the year and retained profits by approximately RM69,182 and RM32,914, respectively. The changes in interest rates do not affect the Group's other component of equity.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2014.

(d) Currency risk

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

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

The Group entered into certain foreign currency forward contracts during the Track Record Period to mitigate the risk on foreign currency fluctuation against RM. In the opinion of directors, the net open position of these foreign currency forward contracts and their fair value as at 31 December 2014 and 2015 were not significant to the Group.

The carrying amounts of the foreign currency denominated monetary assets and liabilities in net position as at 31 December 2014 and 2015 are as follows:

	2014	2015
	RM	RM
Trade receivables	2,833,624	9,047,364
Cash and cash equivalents	3,474,547	6,255,801
Trade payables	(1,255,918)	(1,988,173)
Net monetary assets	5,052,253	13,314,992

The following tables illustrate the approximate change in the Group's profit for the year and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of each of the Track Record Period.

	2014	2015
	RM	RM
USD appreciated by 5%	252,613	665,750

The change in exchange rates do not affect the Group's other component of equity. The same percentage depreciation in the foreign currencies against the functional currency of the respective group companies would have the same magnitude on profit and retained profits but of opposite effect.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of each of the Track Record Period and had been applied to each of the group entities; exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next reporting date.

33. CAPITAL MANAGEMENT

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

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

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

The gearing ratios as at 31 December 2014 and 2015 were as follows:

	2014	2015
	RM	RM
Bank borrowings	12,253,012	15,102,606
Finance lease obligations	6,855,520	6,019,106
	19,108,532	21,121,712
Total equity	16,508,796	30,305,247
Gearing ratio	116%	70%

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

34. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

Major non-cash transactions

For the year ended 31 December 2014 and 2015, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of leases of RM6,327,110 and RM1,173,440, respectively.

During the Track Record Period, 5,100,000 shares were issued as bonus shares by certain group entities to their shareholders.

35. EVENTS AFTER THE REPORTING DATE

On [●], written resolutions of the board of directors of the Company were passed to approve the matters set out in paragraph 3 of Appendix V in this document.

On [●], the Company conditionally approved and adopted a share option scheme pursuant to a resolution passed by the board of directors on the same date. No share option has been granted since the adoption of the scheme. The principal terms of the share option scheme are summarised in paragraph 13 of Appendix V in this document.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, or its subsidiaries in respect of any period subsequent to 31 December 2015.

Yours faithfully,
BDO Limited
Certified Public Accountants
Pak Tak Lun
Practising Certificate number: P06170
Hong Kong

The information set forth in this appendix does not form part of the Accountant's Report prepared by BDO Limited, Certified Public Accountant, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I in this document, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this document and the Accountant's Report set forth in Appendix I in this document.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted combined net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the net tangible assets of the Group as at 31 December 2015 as if the [REDACTED] had taken place on [Date].

This unaudited pro forma statement of adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [REDACTED] been completed as at 31 December 2015 or at any future dates.

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group is prepared based on the audited combined net tangible assets of the Group as at 31 December 2015 as shown in the accountant's report on the financial information of the Group for each of the two years ended 31 December 2015 (the "Accountant's Report"), the text of which is set out in Appendix I in this document, and adjusted as follows:

	Audited combined net tangible assets of the Group as at 31 December 2015	Estimated [REDACTED] from the [REDACTED]	Unaudited pro forma adjusted combined net tangible assets of the Group	Unaudited pro forma adjusted combined net tangible assets of the Group per Share	
	RM (1)	RM (2)	RM	RM (3)	HK$ (4)
Based on the [REDACTED] of HK$[REDACTED] per [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The audited combined net tangible assets of the Group as at 31 December 2015 is extracted from the Accountant's Report set out in Appendix I in this document.

(2) The estimated [REDACTED] from the [REDACTED] are based on [REDACTED] at indicative [REDACTED] of HK$[REDACTED] per [REDACTED], after deduction of the [REDACTED] fees and related expenses (excluding [REDACTED] which has been accounted for prior to 31 December 2015) payable by the Company.

(3) The unaudited pro forma adjusted combined net tangible assets of the Group per Share is calculated based on [REDACTED] Shares expected to be in issue immediately following the completion of the [REDACTED] but takes no account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates.

(4) The pro forma adjusted combined net tangible assets of the Group per Share are converted from Malaysia Ringgit to Hong Kong dollars at the rate of RM[REDACTED] to HK$[REDACTED]. No representation is made that the amounts in Malaysia Ringgit have been, could have been or could be converted into Hong Kong dollars, or vice versa, at the rate or at any other rates or at all. The amount has been rounded to the nearest cent to conform to the presentation format of this document.

(5) The unaudited pro forma adjusted combined net tangible assets of the Group in the table above has not been adjusted to show the effect of the final dividend of RM[REDACTED] proposed by the Company for the year ended 31 December 2015 in March 2016 (the "Dividend"). The unaudited pro forma adjusted combined net tangible assets of the Group after taking into account of the Dividend are set out below. The per share effect is based on [REDACTED] Shares as set out in note (3) above.

	Unaudited pro forma adjusted combined net tangible assets of the Group after taking into account of the Dividend	**Unaudited pro forma adjusted combined net tangible assets of the Group per Share after taking into account of the Dividend**	
	RM	**RM**	**HK$**
Based on the [REDACTED] of HK$[REDACTED] per [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

(6) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2015.

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this [REDACTED] document received from DTZ Nawawi Tie Leung Property Consultants Sdn Bhd, an independent property valuer, in connection with its opinion of value of the property interests of the Group as at 27 January 2016.

Suite 34.01, Level 34
Menara Citibank
165 Jalan Ampang
50450 Kuala Lumpur
Malaysia

[Date]

The Directors
Worldgate Global Logistics Ltd
No. 42, Jalan Puteri 2/2
Bandar Puteri Puchong
47100 Puchong
Selangor Darul Ehsan
Malaysia

Dear Sirs,

INSTRUCTIONS, PURPOSE AND DATE OF VALUATION

In accordance with your instructions for us to value the properties held by Worldgate Global Logistics Ltd (referred to as the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the Malaysia (the "MY") (as more particularly described in the valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary to provide you with our opinion of the values of such properties as at 27 January 2016 (the "Valuation Date").

DEFINITION OF MARKET VALUE

Our valuation of each of the properties represents its Market Value. The definition of Market Value adopted in The Malaysian Valuation Standards Fifth Edition 2015 issued by the Board of Valuers, Appraisers and Estate Agents Malaysia (Board). The Market Value as defined herein is "the estimated amount for which the property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION BASIS AND ASSUMPTIONS

In valuing the properties, we have complied with the requirements set out in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited published by The Stock Exchange of the Hong Kong Limited and The Malaysian Valuation Standards Fifth Edition 2015 issued by the Board of Valuers, Appraisers and Estate Agents Malaysia (Board).

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the properties in the MY, we have assumed that, unless otherwise stated, the transferable land use rights of the properties for their respective terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Group and it's MY legal adviser, Ben & Partners, regarding the title to each of the properties and the interests of the Group in the properties. In valuing the properties, we have assumed that the Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

In respect of the properties situated in the MY, the status of titles and grant of major certificates approvals and licenses, in accordance with the information provided by the Group are set out in the notes of the respective valuation certificate.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

METHOD OF VALUATION

In valuing the property 1 (a single storey detached factory warehouse with an annexed double storey office building at No. Lot 9066, Jalan Udang Gantung, Telok Gong) in Group I, which is held and occupied by the Group in the MY, we have used the Depreciated Replacement Cost Approach due to the special nature of buildings that there is no readily identifiable market sale comparable and the building cannot be valued by comparable market transactions. The Depreciated Replacement Cost Approach requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures from which deductions are then made to allow for the age, condition and functional obsolescence. The Depreciated Replacement Cost Approach generally furnishes the most reliable indication of value of property in the absence of a known market based on comparable sales. In arriving at our opinion of the Market Value of the land, we have valued it by Direct Comparison Approach by making reference to the comparable sale evidences in the relevant locality. The Depreciated Replacement Cost is subject to adequate potential profitability of the business. In valuing the property 2 (an intermediate four

storey terraced shopoffice located at No. 42, Jalan Puteri 2/2, Bandar Puteri Puchong,) and property 3 (an intermediate three storey terraced shopoffice located at No. 69, Jalan Bayu Tinggi 6/KS6, Taman Bayu Tinggi) in Group I, we have also valued it by Direct Comparison Approach.

In valuing the property 4 (a unit of two-bedroom service apartment located at Parcel No. 20-19, D' Latour Residence) and property 5 (an unit of office suite located at Parcel No. SV18-03A, The Hub) in Group II which are held by the Group under development in the MY, we have valued on the basis that the properties are in its existing state (as at the date of inspection the construction stage of completion as the principal Sale and Purchase Agreement) and the Group's relevant documents provided to us up to the date of valuation (if any). We have assumed that all consents, approvals and licenses from relevant government authorities for the development have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value to assess the "Market Value in its existing state" base on the construction stage of completion as per the Schedule of Payment of Purchase Price in the principal Sale and Purchase Agreement and Architect's Certificate stage of commencement and progress billing. We also have adopted the Direct Comparison Approach in providing the "Market Value upon completion"

SOURCE OF INFORMATION

We have been provided by the Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuations, we have relied to a very considerable extent on the information given to us by the Group in respect of the properties in the MY and have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

TITLE INVESTIGATION

We have been provided with extracts of documents relating to the titles of the properties in the MY and extracted details of the titles particulars from private searches conducted at the relevant local land offices in respect of the properties. Besides, we are relied on the advice given by the Group's MY legal advisor regarding the Group's interests in the MY properties.

SITE INSPECTION

Our DTZ valuer, Mr Daniel Ma Jen Yi (Registered Valuer, V-759), inspected the exterior and, whenever possible, the interior of the properties in January 2016. Mr Daniel Ma Jen Yi has about 19 years' experience in property valuation in the MY. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the area shown on the documents handed to us are correct.

CURRENCY AND EXCHANGE RATE

Unless otherwise stated, all money amounts indicated herein our valuations are Ringgit Malaysia ("RM"), which is the official currency of the MY. At the date of our valuation, the currency exchange rate is RM1.00 = HKD1.83.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Nawawi Tie Leung
Property Consultants Sdn Bhd
Mr Daniel Ma Jen Yi
Registered Valuer (V-759)
B.BUS (AUS)
MRISM, MRICS
Director

Note: Mr Daniel Ma Jen Yi is a Registered Valuer who has over 19 years of experience in the valuation of properties in the MY.

SUMMARY OF VALUATIONS

	Property	Market Value in existing state as at 27 January 2016 (RM/HKD)	Interest Attributable to the Group (%)	Market Value in existing state attributable to the Group as at 27 January 2016 (RM/HKD)
Group I — Properties held and occupied by the group in the MY				
1	A single storey detached factory warehouse with an annexed double storey office building at No. Lot 9066, Jalan Udang Gantung, Telok Gong, 42000 Port Klang, Selangor Darul Ehsan	15,500,000/ 28,365,000	100	15,500,000/ 28,365,000
2	An intermediate four storey terraced shopoffice at No. 42, Jalan Puteri 2/2, Bandar Puteri Puchong, 47100 Puchong, Selangor Darul Ehsan	3,100,000/ 5,673,000	100	3,100,000/ 5,673,000
3	An intermediate three storey terraced shopoffice at No. 69, Jalan Bayu Tinggi 6/ KS6, Taman Bayu tinggi, 41200 Klang, Selangor Darul Ehsan	1,450,000/ 2,653,500	100	1,450,000/ 2,653,500
	Sub-total of Group I:	**20,050,000/ 36,691,500**	**100**	**20,050,000/ 36,691,500**
Group II — Properties held by the Group under development in the MY				
4	A unit of two-bedroom service apartment at Parcel No. 20–19, Storey No. 20, Type B, together with Accessory Parcel Nos. B2-232 & M-105, D' Latour Residence, Selangor Darul Ehsan	260,183/476,135	100	260,183/476,135
5	An unit of office suite at Parcel No. SV18-03A, Storey No. Level 18, Building No. C, Type B2, Together With One (1) Air Conditioner Compressor Ledge(S) Of SV18-03A/AC Ledge, One (1) Open Verandah Of SV18-034/Open Verandah And Two (2) Car Parking Bays Comprising Of B1/194 & B1/ 195, The Hub, Selangor Darul Ehsan	415,520/760,402	100	415,520/760,402
	Sub-total of Group II:	**675,703/1,236,537**	**100**	**675,703/1,236,537**
	Grand total of Groups I to II:	**20,725,703/ 37,928,306**		**20,725,703/ 37,928,306**

VALUATION CERTIFICATE

Group I — Properties held and occupied by the Group in the MY

	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 27 January 2016
1	A single storey detached factory warehouse with an annexed double storey office building at No. Lot 9066, Jalan Udang Gantung, Telok Gong, 42000 Port Klang, Selangor Darul Ehsan	The property comprises a single storey detached factory warehouse with an annexed double storey office building erected on a parcel of land with a total land area of approximately 11,466.00 sq.m. The industrial premises completed in 2009. The industrial premises comprise warehouse, office building and miscellaneous structures. The property has a total gross floor area of approximately with details as follows: **Use** — **Approximately gross floor area (sq.m.)** Warehouse — 5,284.70 Office building — 878.00 Miscellaneous structures — 202.90 Total — 6,365.60 The property is held with land use rights for term due to expire on 22 June 2068 for industrial use. (For details, please see Note (1) & (3).	The property is occupied by the Group as warehousing	RM15,500,000/ HKD28,365,000 (100% interest attributable to the Group: RM15,500,000/ HKD28,365,000)

Notes:

(1) According to the individual land title held under Pajakan Mukim 6678, Lot 130600, Tempat of Telok Gong, Mukim of Klang, District of Klang, State of Selangor issued by local land office of Pejabat Daerah/Tanah Klang Selangor on 21 September 2010, have been vested in Worldgate Expresses Services Sdn Bhd.

(2) Vide a photocopy of the Sale and Purchase Agreement dated 20 March 2014 made between Niche Metal Sdn Bhd (Vendor) and Worldgate Express Services Sdn Bhd (Purchaser) for the purchase consideration of RM13,000,000.

(3) A title search conducted at local land office of Pejabat Daerah/Tanah Klang Selangor on 12 February 2016, and the salient details are as follows:

Title No./Lot No.	Date of Issue	Category of Land Use	Express Condition	Tenure	Land area (sq. m.)
Pajakan Mukim 6678, Lot 130600	21 September 2010	Industrial	Industrial	Leasehold, 99 years expiring on 22 June 2068	11,466.00

(4) According to Certificate of Fitness for Occupation bearing reference no. 2000–1396 and approved building plan bearing reference no. MPK (P) 201/06 issued by local authority of Majlis Perbandaran Klang dated 26 June 2009, the building is fully completed and fit for occupation.

(5) According to the Temporary Business and Advertisement License No. 01021014955620158 issued by Majlis Perbandaran Klang dated 17 February 2016 to Worldgate Express Services Sdn Bhd, the property is occupied for warehousing, which is valid from 9 December 2015 to 8 June 2016.

(6) We have been provided with a Legal Opinion on the property prepared by the Group's MY legal advisor, Ben & Partner which contains, among other things, the following information:

(i) The registered proprietor is Worldgate Expresses Services Sdn Bhd;

(ii) The land is subject to restriction in interest that the land cannot be transferred without the consent/permission from the State Authority;

(iii) The land is subject to the following charges created in favour of Alliance Bank Malaysia Berhad by Worldgate Expresses Services Sdn Bhd:

- Vide Presentation No. 11049/2015 registered on 28 October 2015; and
- Vide Presentation No. 7788/2014 registered on 30 July 2014

(iv) The land is subject to a private caveat lodged by Alliance Bank Malaysia Berhad vide a Presentation No. 3346/2014 registered on 5 June 2014; and

(v) The quit rent for year 2016 and the Assessment Tax for second half of year 2015 in respect of the land indicating that payment being duly made for the year.

(7) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Land title	Yes
Sale and Purchase Agreement	Yes
Certificate of Fitness for Occupation	Yes
Approved Building Plan	Yes
Temporary Business and Advertisement License	Yes

VALUATION CERTIFICATE

	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 27 January 2016
2	An intermediate four storey terraced shopoffice at No. 42, Jalan Puteri 2/2, Bandar Puteri Puchong, 47100 Puchong, Selangor Darul Ehsan	The property is developed on two parcels of commercial land with a total land area of approximately186.00 sq.m. The property was completed in 2004. The property is an intermediate four storey terraced shopoffice with a total gross floor area of approximately 696.75 sq.m. The property is held with land use rights for a freehold interest.	The property is occupied by the Group as office use	RM3,100,000/ HKD5,673,000 (100% interest attributes to the Group: RM3,100,000/ HKD5,673,000)

Notes:

(1) According to 2 individual titles held under HSD 284101, PT 72616 and HSD 296263, PT 72655, Mukim of Petaling, District of Petaling, State of Selangor issued by local land office of Pejabat Tanah Dan Galian Selangor on 12 November 2012 and 9 April 2014 respectively have been vested in Worldgate Expresses Services Sdn Bhd.

(2) Vide a photocopy of the Sale and Purchase Agreement dated 25 May 2004 made between Flora Development Sdn Bhd (Vendor) and Worldgate Express Services Sdn Bhd (Purchaser) for the purchase consideration of RM949,800.

(3) A title search conducted at local land office of Pejabat Tanah Dan Galian Selangor on 11 February 2016, and the salient details are as follows:

Title No./Lot No.	Date of Issue	Category of Land Use	Express Condition	Tenure	Land area (sq. m.)
HSD 284101, PT 72616	12 November 2012	Building	Commercial Building	Freehold	131.00
HSD 296263, PT 72655	9 April 2014	Building	Commercial Building	Freehold	55.00
				Total:	186.00

(4) According to the Business and Advertisement License No. 2120090100050 issued by Majlis Perbandaran Subang Jaya dated 21 December 2015 to Worldgate Express Services Sdn Bhd, the property is occupied for office headquarters, which is valid from 21 December 2015 to 31 December 2016.

(5) According to the Business License No. 2120090100050 issued by Majlis Perbandaran Subang Jaya dated 21 December 2015 to Worldgate Express Services Sdn Bhd, the nature of business is freight forwarding services.

(6) We have been provided with a Legal Opinion on the property prepared by the Group's MY legal adviser, Ben & Partners which contains, among other things, the following information:

(i) The registered proprietor is Worldgate Express Services Sdn Bhd;

(ii) Both of the lands are not subjected to any restriction in interest;

(iii) Both of the lands subject to the following charges created in favour of Public Bank Berhad by Worldgate Expresses Services Sdn Bhd:

- Vide Presentation No. 114054/2014 registered on 14 October 2014; and
- Vide Presentation No. 114055/2014 registered on 14 October 2014

(iv) The quit rent for year 2016 and the Assessment Tax for the first half of year 2016 in respect of both lands indicating that payment being duly made for the year.

(6) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follow:

Land title	Yes
Sale and Purchase Agreement	Yes
Certificate of Fitness for Occupation	Yes
Business and Advertisement License	Yes

VALUATION CERTIFICATE

	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 27 January 2016
3	An intermediate three storey terraced shopoffice at No. 69, Jalan Bayu Tinggi 6/KS6, Taman Bayu tinggi, 41200 Klang, Selangor Darul Ehsan	The property is developed on a parcel of commercial land with a total land area approximately 143.00 sq.m. The property was completed in 2007. The property is an intermediate 3 storey terraced shopoffice with a total gross floor area of approximately 420.84 sq.m. The property is held with land use rights for a freehold interest.	The property is occupied by the Group as office use	RM1,450,000/ HKD2,653,500 (100% interest attributes to the Group: RM1,450,000/ HKD2,653,500

Notes:

(1) According to individual land title held under GRN 105472, Lot 84301, Pekan Pandamaran, District of Klang, State of Selangor issued by local land office of Pejabat Tanah Dan Galian Selangor on 13 November 2006, have been vested in Freight Transport Network Sdn Bhd.

(2) Vide a photocopy of the Sale and Purchase Agreement dated 16 December 2014 made between Lian Hong Realty Sdn Bhd (Vendor) and Freight Transport Network Sdn Bhd (Purchaser) for the purchase consideration of RM1,300,000.

(3) A title search conducted at local land office of Pejabat Tanah Dan Galian Selangor on 11 February 2016, and the salient details are as follows:

Title No./Lot No.	Date of Issue	Category of Land Use	Express Condition	Tenure	Land area (sq. m.)
GRN 105472, Lot 84301	13 November 2006	Building	Commercial Building	Freehold	143.00

(4) According to Certificate of Fitness for Occupation issued by local authority of Majlis Perbandaran Klang vide a reference no. 2000–0918 dated on 26 October 2007, the building is fully completed and fit for occupation.

(5) According to the Business and Advertisement License No. 01011112652320130 (ground floor office) issued by Majlis Perbandaran Klang dated 8 January 2016 to Freight Transport Network Sdn Bhd, the property is occupied for a shipping and forwarding agency, which is valid from 8 January 2016 to 31 December 2016.

(6) According to the Business and Advertisement License No. 01011112647120138 (first floor office) issued by Majlis Perbandaran Klang dated 7 December to My Forwarder International Sdn Bhd, the property is occupied for office use, which is valid from 7 December 2015 to 31 December 2016.

(7) According to the Business and Advertisement License No. 0101119693020100 (second floor office) issued by Majlis Perbandaran Klang dated 8 January 2016 to Freight Transport Network Sdn Bhd, the property is occupied for a forwarding company, which is valid from 8 January 2016 to 31 December 2016.

(8) We have been provided with a Legal Opinion on the property prepared by the Group's MY legal adviser, Ben & Partners which contains, among other things, the following information:

(i) The registered proprietor is Freight Transport Network Sdn Bhd;

(ii) The lands is not subjected to any restriction in interest;

(iii) The land is subject to a charge created in favour of Alliance Bank Malaysia Berhad by Freight Transport Network Sdn Bhd vide a Presentation No. 37178/2015 registered on 15 April 2015;

(iv) The land subject to a private caveat lodged by Alliance Bank Malaysia Berhad vide a Presentation No. 6849/2015 registered on 9 February 2015; and

(v) The quit rent for year 2015 and the Assessment Tax for the first half of year 2016 in respect of the land indicating that payment being duly made for the year.

(9) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follow:

Land title	Yes
Sale and Purchase Agreement	Yes
Certificate of Fitness for Occupation	Yes
Business and Advertisement License (ground floor office)	Yes
Business and Advertisement License (first floor office)	Yes
Business and Advertisement License (second floor office)	Yes

VALUATION CERTIFICATE

Group II — Properties held by the Group under development in the MY

	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 27 January 2016
4	A unit of two-bedroom service apartment at Parcel No. 20–19, Storey No. 20, Type B, together with Accessory Parcel Nos. B2-232 & M-105, D' Latour Residence, Selangor Darul Ehsan	The property is developed on a parcel of commercial land with a total land area of approximately 11,116.91 sq.m. The property is scheduled to be completed in end of 2016. The property is a unit of two-bedroom service apartment with a total parcel area of approximately 71.00 sq.m. The unit comes with two car park bays. The property is held with land use rights for terms due to expire on 8 September 2104.	As at the Valuation Date, the property was under development	RM260,183/ HKD476,135 (100% interest attributes to the Group: RM260,183/ HKD476,135

Notes:

(1) According to the master land title held under HSD 224381, PT 294, Pekan Penaga, District of Petaling, State of Selangor issued by local land office of Pejabat Tanah dan Galian Selangor on 9 September 2005, have been vested in Ceria Pujangga Sdn Bhd.

(2) Vide a photocopy of the principal Sale and Purchase Agreement (SPA) dated 3 January 2014, made between DK-MY Properties Sdn Bhd (Vendor) and Worldgate Express Services Sdn Bhd (Purchaser) and Ceria Pujangga Sdn Bhd (Proprietor) for the purchase consideration of RM743,380.

(3) A title search conducted at local land office of Pejabat Tanah Dan Galian Selangor on 11 February 2016, and the salient details are as follows:

Title No./Lot No.	Date of Issue	Category of Land Use	Express Condition	Tenure	Land area (sq. m.)
HSD 224381, PT 294	9 September 2005	Building	Commercial Building	Leasehold, 99 years expiring on 8 September 2104	11,116.91

(4) According to the Third Schedule (Clause 4) Schedule of Payment of Purchase Price in the SPA and the Architect's Certificate of Progress Billing No. 12 by RDA Harris Architects Sdn Bhd dated 12 November 2015, the stage of completion is at 35%.

(5) The market value of the under development unit of the subject property in existing state as 27 January 2016 is estimated at RM260,138/HKD476,135 whilst the market value upon completion is estimated at RM743,380/HKD1,360,285.

(6) We have been provided with a Legal Opinion on the property prepared by the Group's MY legal adviser, Ben & Partners which contains, among other things, the following information:

(i) The registered proprietor is Ceria Pujangga Sdn Bhd;

(ii) The land is subject to restriction in interest that the land cannot be transferred, leased or charged, without the consent/permission from the State Authority;

(iii) The land is not subjected to a charge;

(iv) Ceria Pujangga Sdn Bhd has been granted absolute right to develop the said land as a housing development known as D' Latour Residence; and

(v) A separate strata title of the said parcel has not been issued.

(7) The status of the title and supporting documents in accordance with the information provided to us are as follow:

Master land title	Yes
Sale and Purchase Agreement	Yes
Architect's Certificate of Progress Billings	Yes

VALUATION CERTIFICATE

	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 27 January 2016
5	An unit of office suite at Parcel No. SV18-03A, Storey No. Level 18, Building No. C, Type B2, Together With One (1) Air Conditioner Compressor Ledge(S) Of SV18-03A/AC Ledge, One (1) Open Verandah Of SV18-034/ Open Verandah And Two (2) Car Parking Bays Comprising Of B1/194 & B1/195, The Hub, Selangor Darul Ehsan	The property is developed on a parcel of commercial land with a total land area of approximately 10,151.00 sq.m. The property is scheduled to be completed in 2018. The property is an unit of office suite with a total parcel area of approximately 89.00 sq.m. The unit comes with two car park bays. The property is held with land use rights for a freehold interest.	As at the Valuation Date, the property was under development	RM415,520/ HSD760,402 (100% interest attributes to the Group: RM415,520/ HSD760,402

Notes:

(1) According to master land title held under HSD 297064, PT 233, Seksyen 39, Bandar Petaling Jaya, District of Petaling, State of Selangor issued by local land office of Pejabat Daerah/Tanah Petaling Selangor on 30 April 2014, have been vested in SDB SS2 Development Sdn Bhd.

(2) Vide a photocopy of Sale and Purchase Agreement (SPA) dated 14 November 2013, made between SDB SS2 Development Sdn Bhd (Vendor) and My Forwarder International Sdn Bhd (Purchaser) for the purchase consideration of RM1,038,800.

(3) A title search conducted at local land office of Pejabat Tanah Dan Galian Selangor on 22 February 2016, and the salient details are as follows:

Title No./Lot No.	Date of Issue	Category of Land Use	Express Condition	Tenure	Land area (sq. m.)
HSD 297064, PT 233 Seksyen 39	30 April 2014	Building	Commercial Building	Freehold	10,151.00

(4) According to the Fifth Schedule — Schedule of Payment of Purchase Price in the SPA and the Certificate of Stage Commencement by GDP Architects Sdn Bhd dated 11 September 2014, the stage of completion is at 40%.

(5) The market value of the under development unit of the subject property in existing state as 27 January 2016 is estimated at RM415,520/HKD760,402 whilst the market value upon completion is estimated at RM1,038,800/ HKD1,901,004.

(6) We have been provided with a Legal Opinion on the property prepared by the Group's MY legal adviser, Ben & Partners which contains, among other things, the following information:

(i) The registered proprietor is SDB SS2 Development Sdn Bhd;

(ii) The lands is not subjected to any restriction in interest;

(iii) The land is not subjected to a charge;

(iv) SDB SS2 Development Sdn Bhd has been granted absolute right to develop the said land as a housing development known as The Hub SS2; and

(v) A separate strata title of the said parcel has not been issued

(vi) Vide a letter of approval from the District and Land Office of Petaling dated 20 February 2014 approving the application of SDB SS2 Development Sdn Bhd for the surrender and re-alienation of the lands previously held under Geran Mukim 721 Lot No. 49682 and Geran Mukim 722 Lot No. 49683.

(7) The status of the title and supporting documents in accordance with the information provided to us are as follow:

Master land title	Yes
Sale and Purchase Agreement	Yes
Architect's Certificate of Progress Billings	Yes
Approval Letter from District and Land Office of Petaling for surrender and re-alienated under Section 204B National Land Code	Yes

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 February 2016 under the Companies Law. The Memorandum of Association and the Articles of Association comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●] with effect from the [REDACTED]. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Financial assistance to purchase shares of the Company or its subsidiaries*

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company. There is no provision in the Articles that prohibits the Company from giving financial assistance for the purchase shares of its subsidiaries.

(vi) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s) as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during

such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) *Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to

retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re election or appointment but as between persons who became or were last re elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) if he becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law; or

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(x) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(xi) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the

holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant

share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends

shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase

any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from [●] 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to Appendix VI in this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES

1. Incorporation of the Company

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 18 February 2016. The Company has established a place of business in Hong Kong at 57/F, The Center, 99 Queen's Road Center, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance in [March 2016]. In connection with such registration, Lee Chooi Seng and Chin Seng Leong have been appointed as the authorised representatives of the Company for acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company is incorporated in the Cayman Islands, its operations are subject to the Cayman Islands company law and its constitution, which comprises of a memorandum of association and the articles of association. A summary of certain provisions of its constitution and relevant aspects of the Cayman Companies Law is set out in Appendix IV in this document.

2. Changes in authorised and issued share capital of the Company

The Company was incorporated in the Cayman Islands on 18 February 2016 by Sharon Pierson and the one subscriber share was transferred to RLDC Investment for HK$0.01 on the same date. The authorised share capital of the Company as at the date of its incorporation was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each.

On [●], the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$10,000,000 divided into 1,000,000,000 Shares of HK$0.01 each by the creation of an additional 962,000,000 Shares of HK$0.01 each which rank *pari passu* in all respect with the existing Shares.

Save as disclosed in this document, there has been no alteration in the share capital of the Company within two years immediately preceding the date of this document and up to the Latest Practicable Date.

3. Resolutions in writing of all the Shareholders passed on [●]

Pursuant to the resolutions in writing passed by all the Shareholders on [●]:

(a) the Company adopted the new memorandum of association with immediate effect and the new articles of association with effect from [REDACTED];

(b) the Company increased its authorised share capital from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$10,000,000 divided into 1,000,000,000 Shares of HK$0.01 each;

(c) the Company adopted the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" below, and the Directors were authorised to grant options to subscribe for the Share thereunder and, conditional on the [REDACTED] of the Stock Exchange granting of the [REDACTED] of, and permission to deal in, the Shares to be issued pursuant to the exercise of the options granted under the Share Option Scheme on or before the date falling 30 days after the date of this document, to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme;

(d) conditional on the [REDACTED] of the Stock Exchange granting the [REDACTED] of, and permission to deal in the Shares in issue and to be issued as mentioned in this document and on the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and not being terminated in accordance with the terms of the [REDACTED] or otherwise, in each case on or before the day falling 30 days after the date of this document:

(i) the [REDACTED] was approved and the Directors were authorised to allot and issue the [REDACTED] under the [REDACTED];

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" below, were approved and adopted and the Directors were authorised to grant options to subscribe for the Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;

(iii) conditional on the share premium account of the Company being credited as a result of the [REDACTED], the Directors were authorised to capitalise approximately HK$[REDACTED] standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par [REDACTED] Shares for allotment and issue to the Shareholders whose names appear on the register of members of the Company at the close of business on [●] (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing shareholdings in the Company so that the Shares allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares;

(iv) a general unconditional mandate was given to the Directors to exercise all powers of the Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the articles of association of the Company, or pursuant to the exercise of any options which have been or may be granted under the Share Option Scheme, or under the [REDACTED] or the [REDACTED], Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share

capital of the Company in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding the exercise of [REDACTED] and Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme); and (bb) the aggregate nominal amount of the share capital of the Company which may be purchased by the Company pursuant to the authority granted to the Directors as referred to in paragraph (vi) below, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors as set out in this paragraph (v), whichever occurs first; and

(v) a general unconditional mandate (the "Repurchase Mandate") was given to the Directors to exercise all powers of the Company to purchase the Shares with an aggregate nominal amount of not exceeding [REDACTED] of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding the exercise of [REDACTED] and Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors as set out in this paragraph (vi), whichever occurs first.

4. Group reorganisation

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the [REDACTED]. For information relating to the Reorganisation, please refer to the section headed "History, Reorganisation and Corporate Structure" in this document.

5. Changes in share capital of subsidiaries

the Company's subsidiaries are referred to in the Accountant's Report, the text of which is set out in Appendix I in this document.

Save as disclosed in section headed "History, Reorganisation and Corporate Structure" in this document, there are no changes in the registered capital of the subsidiaries during the two years preceding the date of this document.

6. Repurchase by the Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this document concerning the repurchase by the Company of its own securities.

(a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholders' approval*

All proposed repurchase of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolution in writing passed by all Shareholders on [●], the Repurchase Mandate was given to the Directors to exercise all powers of the Company to purchase Shares on the Stock Exchange or any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to [REDACTED] of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme). The Repurchase Mandate will expire at the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first.

(ii) *Source of funds*

Repurchase by the Company must be paid out of funds legally available for the purpose in accordance with the Company's Memorandum and Articles of Association and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Under Cayman Islands law, any repurchase by the Company may only be made out of profits of the Company, or out of share premium account, or out of the proceeds of a fresh issue of share made for the purpose of the repurchase, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of profits of the Company or from sums standing to the credit of the Company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital.

(iii) *Connected parties*

A company is prohibited from knowingly repurchasing securities from a "core connected person", that is, a director, chief executive or substantial shareholder of the Company or any of their respective close associates and a core connected person shall not knowingly sell his securities to the Company, on the Stock Exchange.

(b) ***Reasons for Repurchase***

the Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchase will benefit the Company and the Shareholders.

(c) ***Funding of repurchase***

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association, the GEM Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of the Group as disclosed in this document and taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this document. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately after the [REDACTED] of the Shares on the Stock Exchange, would result in up to [REDACTED] Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force.

(d) ***General***

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to the Company or its subsidiaries if the Repurchase Mandate is exercised.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

No connected person (as defined in the GEM Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

7. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this document and are or may be material:

(a) the sale and purchase agreement dated [●] entered into between the Company, Mr. Lee, Mr. Chin, RLDC Investment, Upright Plan and Champion Ascent relating to the transfer of the entire issued share capital of Worldgate International to the Company in consideration of (i) the Initial Share held by RLDC Investment be credited as fully paid; (ii) the Company to allot and issue [REDACTED] Shares to RLDC Investment credited as fully paid; (iii) the Company to allot and issue [REDACTED] Shares to Upright Plan credited as fully paid; and (iv) the Company to allot and issue [REDACTED] Shares to Champion Ascent credited as fully paid.

(b) the Deed of Indemnity entered into by the Controlling Shareholders and the Company dated [●], details of which are set out in paragraph headed "Other information — 14. Tax indemnity" of this Appendix;

(c) the Deed of Non-Competition entered into by the Controlling Shareholders in favour of the Company dated [●], details of which are set out in paragraph 3 of the section headed "Relationship with Controlling Shareholders" in this document; and

(d) the [REDACTED] entered into between the Company, the executive Directors, the Controlling Shareholders, the Sponsor and the [REDACTED] dated [●], details of which are set out in this section headed "[REDACTED]" in this document.

8. Intellectual Property Rights of the Group

(a) *Trademarks*

As at the Latest Practicable Date, the Group had applied for registration of the following trademark:

Trademark application number	Trademark	Applicant	Place of application	Class	Application Date
303694401		Worldgate Express	Hong Kong	39	24 February 2016

As at the Latest Practicable Date, the Group has registered the following trademarks:

Trademark	Registered Owner	Class	Place of registration	Trade Mark No.	Effective Period
	Worldgate Express	35	Malaysia	2011014093	4 August 2011 to 4 August 2021
	Worldgate Express	37	Malaysia	2011014092	4 August 2011 to 4 August 2021
	Worldgate Express	39	Malaysia	09021290	3 December 2009 to 3 December 2019
FTN FREIGHT TRANSPORT NETWORK	Freight Transport	39	Malaysia	2010003539	2 March 2010 to 2 March 2020

(b) *Domain name*

As at the Latest Practicable Date, the Group had registered the following domain name:

Domain name	Date of registration	Expiry date
worldgate.com.my	2 August 2001	1 August 2016

Information contained in the above website does not form part of this document.

Save as disclosed above, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material to the business of the Group.

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

9. Directors

(a) ***Particulars of service contracts and letters of appointment***

Each of Mr. Lee and Mr. Chin, being all the executive Directors, and Mr. Tan Yee Boon, being the non-executive Director has entered into a service contract with the Company. Particulars of these contracts, except as indicated, are in all material respects identical and are set out below:

(i) each service contract is of three years commencing from the [REDACTED] and will continue thereafter until terminated in accordance with the terms of the service agreement;

(ii) the initial annual salary for each of Mr. Lee, Mr. Chin and Mr. Tan Yee Boon is set out below, such salary to be reviewed annually by the Board and the remuneration committee of the Company; and

(iii) each of these executive and non-executive Directors is entitled to such management bonus by reference to the consolidated net profits of the Group after taxation and minority interests but before extraordinary items as the Board and the remuneration committee of the Company may approve, provided that the relevant executive and non-executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board approving the amount of annual salary, management bonus and other benefits payable to him.

The current basic annual salaries of the executive and non-executive Directors are as follows:

Name	Amount
Mr. Lee	HK$1,200,000
Mr. Chin	HK$1,200,000
Mr. Tan Yee Boon	HK$240,000

Each of Mr. Wong Siu Keung Joe, Mr. Liew Weng Keat and Mr. Lee Kwok Tung Louis, being all the independent non-executive Directors, has entered into a letter of appointment with the Company. Each letter of appointment is for an initial term commencing on the date of the [REDACTED] and shall continue thereafter subject to a maximum of one year and may be terminated by either party by giving at least three months' notice. Each independent non-executive Director is entitled to an annual director's fee of HK$240,000.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the Group within one year without the payment of compensation (other than statutory compensation)).

(b) ***Directors' remuneration***

During the Track Record Period, the aggregate of the remuneration (including salaries and allowance, if any) paid and benefits in kind granted by the Group to the Directors was approximately HK$0.9 million and HK$1.0 million, respectively.

Under the arrangements currently in force, the aggregate emoluments (excluding any discretionary bonus, if any, payable to the Director) payable by the Group to and benefits in kind receivable by the Directors for the year ended 31 December 2016 is estimated to be approximately HK$3.36 million.

None of the Directors or any past directors of any member of the Group has been paid any sum of money for each of the two years ended 31 December 2015 (i) as an inducement to join or upon joining the Company or (ii) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two years ended 31 December 2015.

(c) ***Interests and short positions of Directors in the share, underlying shares or debentures of the Company and its associated corporations***

Immediately following completion of the [REDACTED] and the [REDACTED] (but not taking into account any Shares that may be allotted and issued pursuant to the exercise of the [REDACTED] and/or any option(s) which may be granted under the Share Option Scheme), the interests or short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the

SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the [REDACTED] Rules, will be as follows:

Name	Capacity/Nature of interest	Number of Shares held after the [REDACTED] and the [REDACTED][1]	Percentage of shareholding after the [REDACTED] and the [REDACTED]
Mr. Lee	Interest in controlled corporation[2]	[REDACTED] Shares (L)	[REDACTED]
Mr. Chin	Interest in controlled corporation[2]	[REDACTED] Shares (L)	[REDACTED]

Notes:

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

(2) The entire issued share capital of RLDC Investment is legally and beneficially owned by Mr. Lee as to 50% and Mr. Chin as to 50%. Accordingly, Mr. Lee and Mr. Chin are deemed to be interested in all Shares held by RLDC Investment by virtue of the SFO.

10. Interest discloseable under the SFO and substantial shareholders

So far as is known to any the Director or chief executive of the Company, immediately following the completion of the [REDACTED] and the [REDACTED] and taking no account any Shares which may be taken up under the [REDACTED] or any Shares which may be allotted and issued upon the exercise of the [REDACTED] and/or any options which may be granted under the Share Option Scheme, based on the information available on the Latest Practicable Date, the following persons/entities (other the Directors and chief executive of the Company) will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under

section 336 of the SFO, or who will be, directly or indirectly, to be interested in [REDACTED] or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Name	Capacity/Nature of interest	Number of Shares held after the [REDACTED] and the [REDACTED][(1)]	Percentage of shareholding after the [REDACTED] and the [REDACTED]
RLDC Investment	Beneficial owner	[REDACTED] (L)	[REDACTED]
Mrs. Ng Yee Hoong	Family interest[(4)]	[REDACTED] (L)	[REDACTED]
Mrs. Dorothy Yeo Mong Yee	Family interest[(5)]	[REDACTED] (L)	[REDACTED]
Mr. Gan	Interest in controlled corporation[(2)(3)]	[REDACTED] (L)	[REDACTED]
Walgan Investment	Interest in controlled corporation[(2)(3)]	[REDACTED] (L)	[REDACTED]
Mrs. Amy Ong Lai Fong	Family interest[(6)]	[REDACTED] (L)	[REDACTED]
Upright Plan	Beneficial owner	[REDACTED] (L)	[REDACTED]
Mr. Chang	Interest in controlled corporation[(3)]	[REDACTED] (L)	[REDACTED]
Mrs. Wong Ping Yuk	Family interest[(7)]	[REDACTED] (L)	[REDACTED]
Champion Ascent	Beneficial owner	[REDACTED] (L)	[REDACTED]

Notes:

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

(2) The entire issued share capital of Upright Plan is legally and beneficially owned by Walgan Investment which in turn is held by Mr. Gan.

(3) The entire issued share capital of Champion Ascent is legally and beneficially owned by Mr. Chang as to 60% and Walgan Investment as to 40%; and Walgan Investment is wholly-owned by Mr. Gan.

(4) Mrs. Ng Yee Hoong is the spouse of Mr. Lee and is therefore deemed to be interested in all of the Shares held/owned by Mr. Lee (through RLDC Investment) by virtue of the SFO.

(5) Mrs. Dorothy Yeo Mong Yee is the spouse of Mr. Chin and is therefore deemed to be interested in all of the Shares held/owned by Mr. Chin (through RLDC Investment) by virtue of the SFO.

(6) Mrs. Amy Ong Lai Fong is the spouse of Mr. Gan and is therefore deemed to be interested in all of the Shares held/owned by Mr. Gan (through Upright Plan and Champion Ascent) by virtue of the SFO.

(7) Mrs. Wong Ping Yuk is the spouse of Mr. Chang and is therefore deemed to be interested in all of the Shares held/owned by Mr. Chang (through Champion Ascent) by virtue of the SFO.

11. Related party transactions

During the two years immediately preceding the date of this document, the Group engaged in the related party transactions as mentioned in 28 of the accountant's report set out in Appendix I to this document.

12. Disclaimers

Save as disclosed in this document:

(a) and taking no account of any Shares which may be taken up or acquired under the [REDACTED] or any Shares which may be allotted and issued upon the exercise of [REDACTED] and the exercise of any options which may be granted under the Share Option Scheme, the Directors are not aware of any person who immediately following completion of the [REDACTED] and the [REDACTED] will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or any other members of the Group;

(b) none of the Directors or chief executive of the Company has any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, in each case once the Shares are listed on the Stock Exchange;

(c) none of the Directors nor the experts named in the paragraph headed "Qualifications and consents of experts" below has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of the Group within the two years immediately preceding the date of this document, or which are proposed to be acquired or disposed of by or leased to any member of the Group nor will any Director apply for [REDACTED] either in his/her own name or in the name of a nominee;

(d) none of the Directors nor the experts named in the paragraph headed "Qualification and consents of the experts" below is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group taken as a whole;

(e) none of the experts named in the paragraph headed "Qualifications and consents of experts" below has any shareholding in any member in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in the Group; and

(f) none of the Directors has entered or has proposed to enter into any service agreements with the Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

SHARE OPTION SCHEME

13. Share Option Scheme

The Company has conditionally adopted the Share Option Scheme, which was approved by written resolutions passed by the Shareholders on [●]. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

(a) ***Purpose of the Share Option Scheme***

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

(b) ***Participants of the Share Option Scheme and Eligibility Criteria***

The eligible persons of the Share Option Scheme to whom options may be granted by the Board shall include (collectively "Eligible Persons"):

(i) any directors (whether executive or non-executive and whether independent or not) and any employee (whether full time or part time) of the Group (collectively "Employee");

(ii) any consultants or advisers (in the areas of legal, technical, financial or corporate managerial) of the Group (whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid); any provider of goods and/or services to the Group; any customer of the Group; or any holder of securities issued by any member of the Group (collectively "Business Associate"); and

(iii) any other person, who at the sole discretion of the Board, has contributed to the Group (the assessment criteria of which are (1) such person's contribution to the development and performance of the Group; (2) the quality of work performed by such person for the Group; (3) the initiative and commitment of such person in performing his duties; (4) the length of service or contribution of such person to the Group; and (5) such other factors as considered to be applicable by the Board).

The Board may in its absolute discretion specify such conditions as it thinks fit when granting an option to an Eligible Person (including, without limitation, as to any minimum period an option must have been held or the minimum period of service or relationship with any member of the Group to be achieved before an option can be exercised (or any part thereof), to the extent of the option which can be exercised at any material time, or any performance criteria which must be satisfied by the Eligible Person, the Company, and its subsidiaries, before an option may be exercised), provided that such conditions shall not be inconsistent with any other terms and conditions of the Share Option Scheme and the GEM Listing Rules.

(c) ***Life of the Share Option Scheme***

The Company may, by ordinary resolution in general meeting, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option shall be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

Subject to the aforesaid, the Share Option Scheme shall be valid and effective for a period of ten years commencing from the date of adoption, after which period no further options will be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the Share Option Scheme.

(d) ***Subscription Price***

The subscription price in respect of any option shall, subject to any adjustments made pursuant to the terms of the Share Option Scheme, be a price determined by the Board and notified to each grantee and shall be at least the highest of:

(i) the closing price per Share as stated in the Stock Exchange's daily quotation sheet on the offer date;

(ii) the average of the closing prices per Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date; or

(iii) the nominal value of the Share.

(e) ***Acceptance of Offers***

An offer shall remain open for acceptance by the Eligible Person concerned for such period as determined by the Board, being a date not later than ten Business Days after the offer date by which the Eligible Person must accept the offer or be deemed to have declined it, provided that no such offer shall be open for acceptance after the tenth anniversary of the date of adoption of the Share Option Scheme or after the Share Option Scheme has been terminated in accordance with the provisions of the Share Option Scheme.

The amount payable by the grantee to the Company on acceptance of the offer shall be a nominal amount to be determined by the Board.

(f) ***Maximum number of Shares available for Subscription***

(i) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other Share Option Schemes shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the Share Option Scheme unless the Company obtains a fresh approval from the Shareholders pursuant to paragraph (f)(ii) below.

(ii) the Company may seek approval of Shareholders in general meeting to renew the 10% limit set out in paragraph (f)(i) above such that the total number of Shares in respect of which options may be granted by the Board under the Share Option Scheme and any other share option schemes of the Company in issue shall not exceed 10% of the total number of Shares in issue as at the date of approval of the renewed limit.

(iii) the Company may grant options to specified participant(s) beyond the 10% limit set out in paragraph (f)(i) above provided that the options granted in excess of such limit are specifically approved by the Shareholders in general meeting and the participants are specifically identified by the Company before such approval is sought. In seeking such approval, a circular must be sent to the Shareholders containing the required details in accordance with Chapter 23 of the GEM Listing Rules.

(iv) Notwithstanding the foregoing and subject to the paragraph (g) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme together with any options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes of the

Company in issue shall not exceed 30% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of Shares in issue from time to time.

(g) ***Maximum entitlement of each Eligible Person***

The total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Person (including both exercised and outstanding options under the Share Option Scheme) in any twelve-month period must not exceed 1% of the issued share capital of the Company.

Where any further grant of options to an Eligible Person would result in excess of such limit shall be subject to the approval of the Shareholders at general meeting with such Eligible Person and his associates abstaining from voting.

In seeking such approval, a circular must be sent to the Shareholders containing the required details in accordance with Chapter 23 of the GEM Listing Rules.

(h) ***Grants of Options to certain connected persons***

(i) Any grant of options to a connected person (as defined under the GEM Listing Rules) or any of its associates must be approved by all of the independent non-executive Directors (excluding any independent non-executive Director who is also the grantee).

(ii) Where options are proposed to be granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of options will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the twelve-month period up to and including the date of such grant representing in aggregate over 0.1 per cent of the issued share capital of the Company and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million, such grant of options must be subject to the approval of the Shareholders at general meeting. The connected person involved in such proposed grant of options and all other connected persons must abstain from voting in such general meeting (except that any connected person may vote against the proposed grant provided that his intention to do so has been stated in the relevant circular to the Shareholders).

In seeking such approval, a circular must be sent to the Shareholders containing the required details in accordance with Chapter 23 of the GEM Listing Rules.

Any change in the terms of the options granted to a Substantial Shareholder or an independent non-executive Director of the Company, or any of their respective associates must also be approved by the Shareholders in general meeting.

(i) ***Time of exercise of Option***

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to the grantee which the Board may in its absolute discretion determine, save that such period shall not be more than ten years from the date of acceptance of the offer (subject to the provisions for early termination in accordance with the Share Option Scheme) (the "Option Period").

(j) ***Rights are personal to Grantee***

An option shall be personal to the grantee and shall not be assignable nor transferable, and no grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so. Any breach of the foregoing shall entitle the Company to cancel any outstanding option or part thereof granted to such grantee.

(k) ***Rights on ceasing employment***

In the case of the grantee being an employee or a director of the Group leaves the services of the Group by reason other than death or on one or more of the grounds specified in paragraph (p)(v), or because his employing company ceases to be a member of the Group, the grantee may exercise the option up to his entitlement at the date of cessation (to the extent he is entitled to exercise at the date of cessation but not already exercised) within a period being the earlier of (i) three months (or such other period as the Board may determine) following the date of such cessation, which date shall be the last actual working day with the Group whether salary is paid in lieu of notice or not or the last date of appointment as director of the Group, as the case may be, or (ii) the expiration of the relevant Option Period. Any options not so exercised shall lapse and terminate at the end of the said period provided that in any such case, the Directors in their absolute discretion may otherwise determine subject to such conditions or limitations as the Directors may decide.

(l) ***Rights on Death***

In the case of the grantee ceases to be an Eligible Person by reason of death, he or (as the case may be) his personal representatives may exercise all or part of his options (to the extent he is entitled to exercise at the date of cessation but not already exercised) within a period being the earlier of (i) six months after he so ceases to be an Eligible Person or (ii) the expiration of the relevant Option Period. Any options not so exercised shall lapse and terminate at the end of the said period provided that in any such case, the Directors in their absolute discretion may otherwise determine subject to such conditions or limitations as the Directors may decide.

(m) ***Rights on a General Offer***

(i) If, in consequences of any general offer made to the holders of Shares (being an offer made in the first instance on a condition such that, if it is satisfied, the offeror will have control of the Company) or otherwise, any person shall have obtained control (as defined in the Takeovers Code) of the Company, then the Directors shall as soon as practicable thereafter notify every grantee accordingly and each grantee shall be entitled to exercise all or any of his options (to the extent he is entitled but not exercised) at any time before the earlier of (1) the expiry of the Option Period, or (2) the fourteenth day following the date on which the general offer becomes or is declared unconditional to exercise any option in whole or in part, and to the extent that it has not been so exercised, any options shall upon the expiry of such period cease and terminate provided that if, during such period, such person becomes entitled to exercise rights of compulsory acquisition of Shares and gives notice in writing to any holders of Shares that he intends to exercise such rights, options shall be and remain exercisable until the earlier of (1) the expiry of the Option Period or (2) the fourteenth day from the date of such notice and, to the extent that any options which have not been exercised upon the expiry of such period, shall thereupon cease and terminate.

(ii) If a general offer by way of a scheme of arrangement is made to all the Shareholders and the Share Option Scheme has been approved by the necessary number of Shareholders at the requisite meetings, the Company shall forthwith notify all the grantees and any grantee (or his personal representatives) may thereafter (but before such time as shall be notified by the Company) by notice in writing to the Company exercise the option (to the extent he is entitled but not exercised) to its full extent or to the extent specified in such notice. Any options which have not been exercised upon the expiry of such period as specified in the notice shall thereupon cease and terminate.

(n) ***Rights on Winding-up***

In the event that a notice is given by the Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, the Company shall on the same date as or soon after it dispatches such notice to each member of the Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each grantee (or his personal representatives) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred

to above, allot and issue such number of Shares to the grantee credited as fully paid which falls to be issued on such exercise and register the grantee as holder thereof in the branch register of members of the Company maintained in Hong Kong.

(o) ***Right on a compromise or scheme of arrangement***

If a compromise or arrangement between the Company and the Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to the grantee (together with a notice of the existence of the provisions of this paragraph) on the same date or soon after it dispatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his personal representatives) may by notice in writing to the Company accompanied by the remittance for the aggregate subscription price in respect of the number of option exercised under such notice (such notice to be received by the Company not later than two Business Days prior to the proposed meeting) either to its full extent or to the extent specified in such notice, and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting referred to above, allot and issue such number of Shares credited as fully paid, to the grantee which falls to be issued on such exercise and register the grantee as holder thereof in the branch register of members of the Company maintained in Hong Kong.

(p) ***Lapse of Option***

The right to exercise an option shall lapse automatically (to the extent not already exercised) immediately upon the earliest of:

(i) subject to paragraphs (k)–(o), the expiry of the Option Period;

(ii) the expiry of any of the periods referred to in paragraphs (k)–(m);

(iii) subject to paragraph (n), the date of the commencement of the winding up of the Company;

(iv) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (o);

(v) in the event that the grantee is an employee or a director of the Group, the date on which the grantee ceases to be an Eligible Person by reason of summary dismissal for misconduct or other breach of the terms of his employment or directorship or other contract constituting him an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an

employer or a company would be entitled to terminate his employment or directorship at common law or pursuant to any applicable laws or under the grantee's service contract with the Company or the relevant subsidiary of the Company. A resolution of the Board or the board of directors of the relevant subsidiary of the Company to the effect that the employment or other relevant contract of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph (p)(v) shall be conclusive and binding on the grantee;

(vi) the date on which the grantee ceases to be an Eligible Person by reason of termination of his relationship (whether by appointment or otherwise) with the Group or on any one or more of the following grounds (other than by reason of death or on one or more of the grounds specified in sub-paragraph (p)(v)) that he has become unable to pay his debts (within the meaning of the Bankruptcy Ordinance) or has become otherwise insolvent or has made any arrangement or composition with his creditors generally, or arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) has committed any act which is prejudicial to or not in the interests of the Company or any company in the Group. A resolution of the Board or the board of directors of the relevant subsidiary of the Company to the effect that the relationship with a grantee (other than an employee or a director of the Group) has or has not been terminated and as to the date of such termination shall be conclusive and binding on the grantee;

(vii) the date on which the grantee commits a breach of paragraph (j); or

(viii) the date on which the option is cancelled by the Board as provided in paragraph (t).

The Company shall owe no liability to any grantee for the lapse of any option under this paragraph (p).

(q) ***Ranking of Shares***

The Shares to be allotted and issued upon the exercise of an option shall be subject to the Memorandum and Articles and the laws of the Cayman Islands for the time being in force and shall rank *pari passu* in all respects with the fully-paid Shares in issue of the Company as at the date of allotment and will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the date of allotment, provided always that when the date of exercise of the option falls on a date upon which the register of members of the Company is closed then the exercise of the options shall become effective on the first Business Day on which the register of members of the Company is re-opened.

(r) ***Reorganisation of Capital Structure***

In the event of any alteration to the capital structure of the Company whilst any option remains exercisable, arising from capitalisation of profits or reserves, rights issue, consolidation, re-classification or subdivision of Share or reduction of the share capital of the Company in accordance with the legal requirements or requirements of the Stock Exchange, other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party, adjustment (if any) shall be made to:

(i) the number or nominal amount of Shares subject to the option so far as unexercised; and/or

(ii) the subscription price for the Shares subject to the option so far as unexercised; and/or

(iii) the Shares to which the option relates; and/or

(iv) any combination thereof as the auditors or the independent financial adviser to the Company (acting as expert not arbitrator) shall at the request of the Company certify in writing to the Board either generally or as regards any particular grantee that the adjustments are in compliance with Rule 23.03(13) of the GEM Listing Rules and the notes thereto.

Any such adjustments must give a grantee the same proportion of the equity capital of the Company as to which that grantee was previously entitled, and any adjustments so made shall be in compliance with the GEM Listing Rules and such applicable guidance and/or interpretation of the GEM Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the "Supplemental Guidance on GEM Listing Rule 23.03(13) and the Notice immediately after the Rule" attached to the letter of the Stock Exchange dated 5 September 2005 to all issuers relating to the Share Option Scheme) but no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The capacity of the auditors or the independent financial adviser to the Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the grantees. The costs of the auditors or the independent financial adviser to the Company shall be paid by the Company. Notice of such adjustment shall be given to the grantees by the Company.

(s) ***Alteration to the Share Option Scheme and the terms of Options granted under the Share Option Scheme***

The Board may from time to time in its absolute discretion waive or amend any terms of the Share Option Scheme at such time and in such manner as it deems desirable to the extent permissible under the provisions of the GEM Listing Rules in relation to the Share Option Scheme and all applicable laws in respect thereof.

For the avoidance of doubt, except with the prior approval of the Shareholders in general meeting (with the Eligible Persons and their associates abstaining from voting), the Board may not amend:

(i) any of the provisions of the Share Option Scheme relating to matters contained in Rule 23.03 of the GEM Listing Rules to the advantage of the Eligible Persons or grantees;

(ii) any terms and conditions of the Share Option Scheme which are of a material nature or any terms of options granted except where such alteration take effect automatically under the existing terms of the Share Option Scheme; and

(iii) any provisions on the authority of the Board in relation to any alteration to the terms of the Share Option Scheme.

No such amendments shall be altered to the advantage of grantees except with the prior approval of the Shareholders in general meeting (with Eligible Persons and their respective associates abstained from voting). No such alterations shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alterations except with the consent or sanction in writing of such majority of the grantees as would be required of the Shareholders under the articles of association for the time being of the Company for a variation of the rights attached to the Shares, provided that this restriction should not apply to any amendment made by the Board at the request of the Stock Exchange or other regulatory body for the purpose of ensuring that the Share Option Scheme complies with, among other applicable laws, the requirements of such exchange or other regulatory body on which the Shares are in the course of being listed or from time to time listed or which may have or exercise regulatory powers or jurisdiction in relation to the Company. Any amended terms of the Share Option Scheme or options shall still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules (subject to such waiver as may be granted by the Stock Exchange from time to time) and shall automatically take effect on all outstanding options.

(t) ***Cancellation of Options granted***

The Board may cancel an option granted but not exercised with the approval of the grantee of such option. No compensation shall be payable to the grantee for cancellation of the options granted but not exercised.

(u) ***Termination***

The Company, by ordinary resolution in general meeting, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

As at the date of this document, no Option has been granted or agreed to be granted by the Company under the Share Option Scheme.

OTHER INFORMATION

14. Estate duty, tax and other indemnity

The Directors have been advised that no material liability for estate duty in Hong Kong is likely to fall on the Company or any of its subsidiaries.

RLDC Investment, Mr. Lee and Mr. Chin (collectively the "Indemnifiers") have pursuant to a deed of indemnity referred to in the section headed "Further information about the business of the Group — Summary of material contracts" in this appendix (the "Deed of Indemnity"), on a joint and several basis, given indemnities in favour of the Group in respect of any amount which any member of the Group becomes liable to pay after the date of the Deed of Indemnity being:

(a) to the extent of which is applicable, any duty which is or hereafter becomes payable by the relevant member of the Group by virtue of section 35 of the Estate Duty Ordinance or any law equivalent or similar thereto under the laws of any jurisdiction outside Hong Kong, or under the provision of section 43 of the Estate Duty Ordinance or any law equivalent or similar thereto under the laws of any jurisdiction outside Hong Kong, by reason of the death of any person and by reason of the assets of any members of the Group or any of such assets being deemed for the purpose of estate duty to be included in the property passing on his death, as a result of that person making or having made a relevant transfer to any members of the Group at any time on or before the [REDACTED];

(b) to the extent of which is applicable, any amount recovered against any members of the Group under the provision of section 43(7) of the Estate Duty Ordinance in respect of any duty payable under section 43(1)(c) or section 43(6) of the Estate Duty Ordinance, by reason of the death of any person and by reason of the assets of any members of the Group or any of such assets being deemed for the purpose of estate duty to be included in the property passing on his death, as a result of that person making or having made a relevant transfer to any members of the Group any time on or before the [REDACTED];

(c) to the extent of which is applicable, any amount of duty which any members of the Group is obliged to pay by virtue of section 43(1)(c) of the Estate Duty Ordinance in respect of the death of any person in any case where the assets of another company are deemed for the purpose of estate duty to be included in the property passing on that person's death by reason of that person making or having made a relevant transfer to that other company and by reason of any members of the Group having received any distributed assets of that other company on their distribution within the meaning of the Estate Duty Ordinance, in each case at any time on or before the [REDACTED], but only to the extent to which any members of the Group is unable to recover an amount or amounts in respect of that duty from any other person under the provision of section 43(7)(a) of the Estate Duty Ordinance;

(d) the amount of any and all taxation paid by or falling on any members of the Group, resulting from or by reference to any income, profits or gains earned, accrued or received (or which should have been or deemed to be so earned, accrued or received), or any transactions, events, matters, things or any business carried on or occurring or deemed to occur on or before the [REDACTED], whether alone or conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company, including any and all taxation resulting from the receipt by any members of the Group of any amounts paid by the Indemnifiers under the Deed of Indemnity, unless such liability to taxation is also discharged by such other person, firm or company;

(e) any claim, fine or other form of liability that may arise from breach of any law, regulation and rule by any members of the Group before the [REDACTED];

(f) all reasonable costs (including all legal costs), expenses or other liabilities which any members of the Group may properly incur in connection with:

    (i) the investigation, assessment or the contesting of any claim or other claim pursuant to the Deed of Indemnity;

    (ii) the settlement of any claim under the Deed of Indemnity;

    (iii) any legal proceedings in which any members of the Group claims under or in respect of the Deed of Indemnity; or

    (iv) the enforcement of any settlement or judgment in respect of any legal proceedings referred to in paragraph (iii) above.

The Deed of Indemnity does not however cover any claim and the Indemnifiers shall be under no liability in respect of any taxation or liability:

(i) to the extent that provision has been made for such taxation in the audited combined accounts of the Group as set out in the Accountant's Report contained in Appendix I in this Document (the "Accounts");

(ii) for which any members of the Group are liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the [REDACTED];

(iii) to the extent that such taxation or liability would not have arisen but for any act or omission by any of members of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected after the [REDACTED] without the prior written consent or agreement of the Indemnifiers,

otherwise than in the ordinary course of business after the [REDACTED] or carried out, made or entered into pursuant to a legally binding commitment created on or before the [REDACTED];

(iv) to the extent that such taxation or liability is/are discharged by another person who is not a Group Member and that none of the members of the Group is required to reimburse such person in respect of the discharge of such taxation or liability;

(v) to the extent that such claim arise(s) or is/are incurred as a consequence of any retrospective change in the law or regulations or the interpretation or practice by the Hong Kong Inland Revenue Department or any other authority in any part of the world coming into force after the [REDACTED] or to the extent such claim arise(s) or is/are increased by an increase in rates of Taxation after the [REDACTED] with retrospective effect; and

(vi) to the extent of any provision or reserve made for taxation in the Accounts which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Save for any claim relating to a claim under section 35 of the Estate Duty Ordinance, for which the Indemnifiers shall be liable in perpetuity, the Indemnifiers shall not be liable in respect of any claim unless the same shall have been made on or prior to the expiry of six years from the [REDACTED] by notice in writing to the Indemnifiers.

In addition, pursuant to the Deed of Indemnity, the Indemnifiers have agreed and undertaken to jointly and severally indemnify the members of our Group and each of them and at all times keep the same indemnified on demand from and against, save to the extent that full provision has been make as set out in Appendix I in this document, all claims, damages, losses, costs, expenses, fines, actions and proceedings whatsoever and howsoever arising at any time whether present or in the future as a result of or in connection with:

(a) the restructuring and reorganisation undergone by the Group;

(b) any actual violation or non-compliance by any members of the Group with any laws, regulations or administrative orders or measures in Macau, Singapore, Hong Kong, the PRC and in any other jurisdiction on or before the [REDACTED];

(c) any and all expenses, payments, sums, outgoing fees, demands, claims, actions, proceedings, judgments, damages, losses, costs (including but not limited to, legal and other professional costs), charges, contributions, liabilities, fines, penalties which any members of the Group may incur, suffer or accrue, directly or indirectly from or on the basis of or in connection with any failure, delay or defects of corporate or regulatory

compliance under, or any breach of any provision of the Inland Revenue Ordinance or any other applicable laws, rules and regulations by any members of the Group on or before the [REDACTED];

(d) any irregularities in relation to any corporate documents of any members of the Group; and

(e) any actual litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings whether of criminal, administrative, contractual, tortuous nature or otherwise instituted by or against the Company and/or any members of the Group arising from any act, non-performance, omission or otherwise of the Company or any members of the Group on or before the [REDACTED].

15. Litigation

Save as disclosed herein, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

16. Sponsor

The Sponsor has made an application for and on behalf of the Company to the Stock Exchange for the [REDACTED] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document, including the [REDACTED] and any Shares which may fall to be allotted and issued pursuant to (a) the [REDACTED]; (b) the exercise of the [REDACTED]; and (c) the exercise of options which may be granted under the Share Option Scheme, representing 10% of the Shares in issue on the [REDACTED]. All necessary arrangements have been made enabling all the aforementioned securities to be admitted into CCASS.

The Sponsor has declared the independence from the Company pursuant to Rule 6A.07 of the GEM Listing Rules. The Sponsor's fees in connection with the [REDACTED] are approximately HK$4.5 million.

17. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, the Company has appointed Ample Capital Limited as its compliance adviser to provide consultancy services to the Company to ensure compliance with the GEM Listing Rules for a period commencing on the [REDACTED] and ending on the date on which the Company complies with the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the [REDACTED].

18. Preliminary expenses

The preliminary expenses relating to the incorporation of the Company are approximately US$5,458 (equivalent to approximately HK$42,500) and are payable by the Company.

19. Promoters

The Company does not have any promoter (as defined in the GEM Listing Rules).

20. Qualifications and consents of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this document are as follows:

Name	Qualification
Ample Capital Limited	licensed corporation to carry on types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management) as defined under the SFO
BDO Limited	Certified public accountants
Ben & Partners	Legal advisers as to Malaysia law
Conyers Dill & Pearman	Cayman Islands Attorneys-at-law
DTZ Nawawi Tie Leung Property Consultants Sdn Bhd	Property Valuers

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they respectively appear.

None of the experts named above has any shareholding interest in any members of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

21. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

22. Taxation of holders of Shares

(a) *Hong Kong*

(i) *Profits*

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong

Kong profits tax. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(ii) *Stamp duty*

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of shares.

(iii) *Estate duty*

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006.

(b) *The Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intended holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing or, purchasing, holding or disposing of or dealing in the Shares or exercising any rights attaching to them. It is emphasised that none of the Company, the Directors or the other parties involved in the [REDACTED] can accept responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercising any rights attaching to them.

23. Miscellaneous

(a) Save as disclosed in this document, within two years immediately preceding the date of this document:

(i) no share or loan capital of the Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no commissions, discounts, brokerages (other than under the [REDACTED]) or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;

(iii) no commission has been paid or payable subscribing, agreeing to subscribe or procuring subscription or agreeing to procure subscription for any shares in the Company or any of its subsidiaries; and

(iv) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(b) Saved as disclosed in this document, no founders, management or deferred shares of the Company or any of the subsidiaries have been issued or agreed to be issued;

(c) the Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2015 (being the date to which the latest audited combined financial statements of the Group were made up);

(d) There has not been any interruption in the business of the Group which has had a material adverse effect on the financial position of the Group in the 24 months preceding the date of this document;

(e) None of the equity and debt securities of the Company is listed or dealt with on any other stock exchange nor is any listing or submission to deal being or proposed to be sought;

(f) None of the Directors nor any of the persons whose names are listed in paragraph headed "Qualification and consents of experts" in this Appendix has received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of any member of the Group;

(g) There has not been any interruption in the business of the Company which may have or has had a significant effect on the financial position of the Company in the 24 months preceding the date of this document;

(h) Subject to the provisions of the Companies Law, the principal register of members of the Company will be maintained in the Cayman Islands by [REDACTED] and a branch register of members of the Company will be maintained in Hong Kong by [REDACTED]. Unless the Directors otherwise agree, all transfers and other documents of title of the Shares must be lodged for registration with and registered by, the Company's branch [REDACTED] in Hong Kong and may not be lodged in the Cayman Islands;

(i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS;

(j) There is no arrangement under which future dividends have been waived;

(k) No company within the Group is presently listed on any stock exchange or traded on any trading system;

(l) In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail; and

(m) The Company and its subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) the written consents referred to in paragraph 20 of Appendix V in this document; and

(b) a copy of each of the material contracts referred to in paragraph 7 of Appendix VI in this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Robertsons, at 57/F, The Center, 99 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

(a) the Memorandum and Articles of Association of the Company;

(b) the accountant's report of the Group dated [●] prepared by BDO Limited, the text of which is set out in Appendix I in this document — "Accountant's Report";

(c) the report dated [●] on unaudited pro forma financial information of the Group issued by BDO Limited, the text of which is set out in Appendix II — "Unaudited Pro Forma Financial Information";

(d) the property valuation report issued by DTZ Nawawi Tie Leung Property Consultants Sdn Bhd, the text of which is set out in Appendix III — "Property Valuation";

(e) the rules of the Share Option Scheme;

(f) the letter prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Companies Law referred to in Appendix IV — "Summary of the Constitution of the Company and Cayman Companies Law";

(g) the Cayman Companies Law;

(h) the material contracts referred to in paragraph 7 of Appendix V in this document;

(i) the written consents referred to in paragraph 20 of Appendix V in this document;

(j) the service contracts referred to in paragraph 9 of Appendix V in this document; and

(k) legal opinion issued by Ben & Partners as referred to herein.